

Blues in White House Over Crime Bill Loss

After a Series of Disappointments,
Clinton Sorely Needed a Big Victory

By R. W. Apple Jr.

WASHINGTON — From President Bill Clinton's point of view, the timing could hardly have been more wretched.

Just when he needed to start building momentum for votes on health-care legislation, just when his party needed a victory heading into the elections this fall, just when the White House staff needed to have its spirits lifted after the blow it took last week with the change of Whitewater prosecutors, something else went wrong.

Already sorely tried by Whitewater and health-care problems, already confronted with a bleak political outlook, the Clinton administration was staggered Thursday night by a procedural defeat that may have doomed the crime bill, whose passage it had taken for granted just a month ago.

"It's as if someone upset a beehive around here," said a gloomy White House aide. "Every time we stick our heads up, we get stung."

It was a nasty defeat, and Mr. Clinton made little effort to hide the pain. As he conceded, "I worked my heart out and did everything I could."

It was not enough. On any number of levels, the Democrats were set back with a jolt. And yet, as Mr. Clinton marveled at an impromptu news conference on Thursday evening, 58 House Democrats voted against their leadership and against Mr. Clinton. They voted with the Republican leadership and with the National Rifle Association, whose influence the administration believed it had begun to subdue.

Unless the bill can be revived, the Democratic candidates for the Senate, the House and major state offices will be deprived of something most of them — and

the president — had ardently sought: a legislative accomplishment for which they could claim credit as a demonstration that their party, however soft on crime it might have been, had changed its spots.

That, of course, is a development welcomed by the Republicans, not only for 1994 but also for 1996. Most polls show crime as the primary concern on voters' minds this summer.

But the impact on the prospects for the health-care legislation, on which the presi-

NEWS ANALYSIS

dent has pinned so many hopes, both substantive and political, may prove to be even greater.

The outcome could have been reversed by a change of only eight votes, and the realization that they could not be obtained cast something of a pall over the Democratic leadership. Some Democratic members spoke grimly of the need to guard against defeatism.

The vote showed, furthermore, that the arrival of Leon E. Panetta as chief of staff has not yet galvanized the White House operation on Capitol Hill.

Mr. Panetta, a former representative from California, a quintessential Capitol Hill man for more than 15 years, worked the corridors, made the calls, predicted a narrow victory and then failed to pull it out — even with the president reportedly making last-minute appeals.

Clearly, President Clinton lacks the kind of clout that would enable him, by threat and promise, to bring into line members of Congress who threaten to cross him.

With his hold on the electorate waning, his influence in Congress, never great, wanes too.



A grim Mr. Clinton leaving the White House on Friday for Minneapolis.

Aide's Remark Adds To Berlusconi Woes

Minister Apologizes After Blaming
'Jewish Lobby' for Plunge of Lira

By Alan Cowell

ROME — With his right-wing coalition torn by internal bickering and the lira tumbling on the money markets, Prime Minister Silvio Berlusconi suffered a new embarrassment Friday by a cabinet minister's accusation that "New York's Jewish lobby" was behind the fall of the currency.

Labor Minister Clemente Mastella issued a formal apology after several newspapers reported that he had made the remark. The World Jewish Congress denounced the comment as "grotesque and reprehensible."

Mr. Berlusconi sought to reassure Italians in a television address Friday night. "Things in Italy have never gone so well," the prime minister said, making no reference to the latest problem for his faltering government.

"I would feel more comfortable if there was more harmony in the statements made by members of the government," Mr. Berlusconi said. "What is important is that today there should be responsible behavior by all the allies."

In an interview published Friday in the International Herald Tribune, Mr. Berlusconi complained of unfair treatment by the national and international press and by a "part of the financial elite."

The Mastella incident, however, spelled further woes for Mr. Berlusconi, a media magnate turned politician, whose meteoric rise to power in March elections has been rapidly undermined by the spectacle of his government's lurching from one crisis to another, unable to assert its authority.

The lack of confidence in a government that seems divided on a range of issues has been reflected most dramatically on the money markets.

The lira slumped to a record low of 1,032.5 to the German mark before closing at 1,027.85, amid what dealers described as panicky selling of Italian bonds and shares. (Article, Page 7)

"Italians asked us to govern, not to fight," said Pierferdinando Casini, the leader of the Christian Democratic Center, a small faction of former Christian Democrats that campaigned for the March vote along with Mr. Berlusconi's Forza Italia (Go, Italy) party. "Instead, many of the partners are being irresponsible."

He was referring primarily to frequent assaults on Mr. Berlusconi by one of his principal coalition partners, Umberto

Bossi, the leader of the separatist-minded Northern League.

In recent weeks, Mr. Bossi has clashed loudly with the Italian leader on a whole array of issues, including Mr. Berlusconi's continued personal ownership of a television and advertising empire, the prime minister's efforts to curb graft inquiries and a controversial government advertising campaign on state television.

"Berlusconi should not be prime minister," Mr. Bossi said last week in an inflammatory comment on his supposed ally. "How can a man with so much economic power be at the head of a government?"

Mr. Berlusconi's standing has been further damaged by judicial inquiries into executives from his Fininvest corporation, who have come under investigation for purportedly bribing the tax police, the Guardia di Finanza, to secure favorable audits of their books. Mr. Berlusconi's younger brother, Paolo, is awaiting trial on corruption charges.

Mr. Berlusconi publicly acknowledged in the interview with the International Herald Tribune that his company had paid bribes to tax officials, but he said they were "ridiculously small."

He said he had "no personal involvement" in the affair and condemned bribes.

The infighting, however — and consequent speculation about the government's ability to survive — has stripped away the effusive market confidence that first greeted Mr. Berlusconi's rise to power from the ranks of Italy's business elite.

On Thursday, the Bank of Italy raised its discount rate from 7 to 7.5 percent in an attempt to reverse the lira's nosedive, but the move seemed to have produced only further criticism of the government for failing to redeem its promises to heal the debt-laden economy.

Shares and government bonds also lost value on Friday as dealers fled Italian holdings.

In this crisis atmosphere, Mr. Mastella, the labor minister, seemed only to add to the troubles Thursday when he explained the fall in part by telling reporters: "The presence of the National Alliance in the government worries New York's Jewish lobby."

The National Alliance is based on the neo-Fascist Italian Social Movement led by Gianfranco Fini, another of the main coalition partners. It controls five government ministries.

Mr. Mastella, a member of the Christian Democratic Center, said, "We should explain to Jewish high finance that Fini is increasingly distant from a nostalgic right."

In the political lexicon here, the word "nostalgia" denotes a yearning to return to Mussolini's values.

New Wave of Refugees Is on the Move in Rwanda

By Raymond Bonner

RUBENGERA, Rwanda — On foot, with bags of sorghum and sewing machines balanced on their heads, on bicycles and in stolen cars loaded with looted goods, thousands of Rwandans are fleeing the French safe haven and heading toward Bukavu, Zaire.

They are Hutu, and they are being pushed by a general fear of the Tutsi-led Rwanda Patriotic Front, the former rebel army that is now the government; by reports that Front soldiers are killing Hutu refugees who return to their villages, and by widespread lawlessness in a region where there is no government these days. It is the exodus that the international

relief community, under siege by a million refugees in Goma, had been hoping to avoid, and relief organizations and the United Nations are scrambling to reassure the people that they need not flee.

The International Committee of the Red Cross delivered 17 tons of food to Rubengera on Friday, but food may not be enough for people who are worried more about their security. As the Red Cross truck entered the village, another large truck, which had a sticker plastered on the door indicating that it had once been hired by another international relief organization, was taking fleeing people out.

And as the French prepare to depart in 10 days, they are trying to persuade the local population that it should stay.

"There are more people being murdered in Bukavu by the Zairian soldiers, the old Rwandan army and the militia than in the humanitarian zone," Colonel Patrice Sarre, the commander of French forces in the northern sector of the humanitarian zone, said during a meeting Friday morning in this dingy, agricultural village.

Last month, some 300 refugees fled across the border into Bukavu, following the remnants of the defeated government. There are an estimated 2 million people now in the French safe haven, about half of them already refugees from other areas of the country. While an exodus like that which occurred into Goma, when just about everyone in northwestern Rwanda fled, seems unlikely, discussions with peo-

ple in the zone during the last 10 days leaves one with the impression that very few are committed to remaining.

The United Nations has been trying to get the new government in Kigali to commit to keeping troops out of the French

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From Worker-Hero to Wheeler-Dealer China's Unions Try to Find Niche in Free-Market Society

By Kevin Murphy

SHANGHAI — China's official labor unions, once largely a vehicle to keep workers in line, now find themselves squeezed between unhappy members and hostile employers, a situation aggravated all the more by questions over conflicts of interest. To carve a place in the new and unfriendly environment, the Shanghai unions are turning to free-market tactics such as running their own businesses and managing investment portfolios.

Funded by a 2 percent levy on payrolls, the Shanghai Trade Union Council has moved away from handing out production medals to worker-heroes among its 5 million members to the business of running 26 hotels and numerous service industries. This building of a capitalist empire by unions may provide more jobs, but it also raises questions about conflicts of interest that have led many foreign managers to discourage official union membership by their employees.

"They face a major challenge if they want to be anything more than a big business that calls itself a trade union," said

John Kamm, a China business consultant and human rights lobbyist based in Hong Kong. "There is a strong reluctance by many foreign investors to let them in."

"From both a business and human rights point of view there are serious doubts as to whether China's official unions can play a genuine role as an honest broker," said Mr. Kamm.

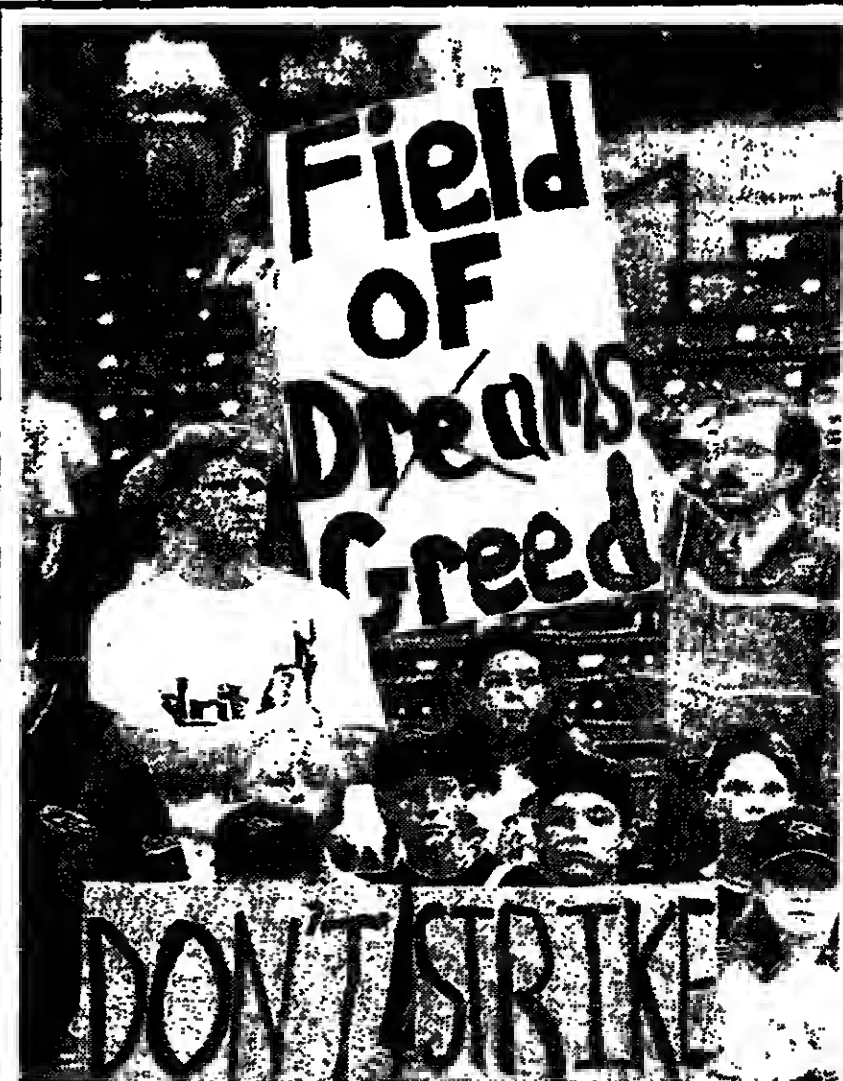
Traditionally both judge and jury in shop-floor rulings, China's unions are finding it difficult to adapt to an era where labor and management may be adversaries rather than one and the same as in communist theories.

Much of the money raised by union dues remains under the control of 18,000 local branches, according to Zhu Guoqing, a vice department chief with the council.

The balance has gone toward creating service-sector jobs and investing in unprofitable enterprises "with a future."

"We have established a career agency and stepped up efforts to export labor to other countries," said Mr. Zhu, whose organization now employs 10,000 workers in various business-

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BASEBALL STRIKE BEGINS — Fans at Oriole Park waiting glumly for Baltimore to start play against the Boston Red Sox in what could turn out to have been the curtain closer of the 1994 baseball season. Page 16.

At Paris Opéra, the Same Old Sour Notes

By David Stevens

PARIS — In another burst of publicity of the kind the Paris Opéra could do without, its music director, Myung-Whun Chung, was dismissed Friday in a dispute over renegotiation of his contract.

The action occurred just before rehearsals were scheduled to begin for the new production of Verdi's "Simon Boccanegra," which will open the season Sept. 19.

The dismissal of the 41-year-old Korean-born conductor was the latest upheaval in the turbulence that has beset the compa-

ny since before the Opéra Bastille opened in 1989, on the 200th anniversary of the French Revolution. It also comes during a period of transition that emphasizes the heavy hand of politics in the operation of France's principal opera and ballet company.

For most of the last half-century, this state cultural institution, more than 300 years old, has been a laughingstock on an international level. Much of this is a result of turbulent labor relations, with frequent strikes and sometimes long periods of inactivity. An epidemic lack of long-range planning made it hard to attract leading artists and drove many leading French singers to appear more abroad than at home. For the public, the lavish old Opéra, the Palais Garnier, and its ceiling painting by Marc Chagall were more of an attraction than what happened on stage.

The period since the opening of the Opéra Bastille has been particularly troubled, with frequent high-level hirings and firings, technical problems with the new theater, and even disaster, when chorus members were killed and injured in an onstage accident in Seville, Spain. Mr.

Chung, music director since the Bastille opened in 1989, has seemed to be the only bright spot in sight.

One exception to this dreary record was the 1970s, when Rolf Liebermann, veteran director of the Hamburg State Opera, took the Paris Opéra in hand, bringing professional planning, outstanding productions and star performers. His assistant then was Hugues Gall, and the hope now is that Mr. Gall, who takes over as director in 1995, will be the man to put the floundering Opéra Bastille on course.

On Friday, Jean-Paul Chuzel, interim administrator pending the arrival of Mr. Gall, said Mr. Chung had "rejected" proposed modifications of his contract. "Management is saddened that Mr. Chung, whose work with the orchestra and chorus is well known, did not want to pursue this work," the company said in a statement.

"Management proposals aimed to clarify in particular the artistic role of the musical director in the light of the new

See OPERA, Page 5

Muslims Join Vatican's Stand On Population

By John Lancaster

CAIRO — Islamic leaders have begun to line up with the Vatican in condemning a landmark United Nations document on population and development, asserting that it condones extramarital sex, homosexuality, abortion and possibly prostitution.

Al Azhar University, the world's most prestigious center of Islamic learning, said in a statement that parts of the document offended Islam and called on Muslims to press for amendment during a major UN conference on population issues in Cairo next month.

Iran's Islamic government also raised objections.

Both the UN document and the Cairo conference are aimed at pushing countries to view population issues with new urgency. The draft examines strategies for stabilizing the world's population, expected to grow by 3 billion people by the year 2030.

Two billion of those people will be born in the world's poorest countries, many of whose inhabitants are Muslim.

The document's supporters, including the Clinton administration, fear that such opposition by leaders of two of the world's most powerful religions could prevent consensus at the conference, which they view as crucial to heading off global environmental and social catastrophes caused by rapid population growth.

The draft document, which encompasses such topics as women's rights and teenage sexuality, was bound to be controversial in the socially conservative Muslim world.

But U.S. officials involved in drafting its language said the Islamic opposition also reflects Pope John Paul II's efforts to mobilize the world's major religions against what the Vatican has described as a prescription for easy abortion and promiscuity.

Officials contend that the document does not advocate abortion but seeks a broad-based approach to population stabilization through improvements in the edu-

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Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 40 L. Fr
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Singer's Aggressive Creed for Life as a Nonwhite Briton

By Richard W. Stevenson
New York Times Service

LONDON — Growing up in northern England, the son of Pakistani immigrants, Haq Nawaz Qureshi always had the vague feeling that he had committed some kind of wrong by not being born white, by not being really English.

"All the time I'd be apologizing," said Mr. Qureshi, 31. "I'd be saying, 'Oh, I don't eat curry. I love fish and chips.' You couldn't even go by your own name because people said it was too hard to pronounce."

Mr. Qureshi is not apologizing anymore. As leader of a popular rap group, Fun-Da-Mental, he has given voice to the growing frustrations and anger felt by young, nonwhite people in a Britain they say remains racked by racism.

And in doing so, he and his partner in the group, Dave Watts, 33, the son of immigrants from Barbados, seem to be searching, like many other nonwhite people of their generation, for a sense of racial identity in a country that is 94.5 percent white.

Unlike their parents and grandparents, who came here in waves in the 1960s and '70s from Pakistan, Bangladesh, Jamaica and other Third

World countries, the second and third generations see no reason to turn the other cheek when confronted with the racial attacks and taunts that are common in inner cities and some suburbs.

The police recorded 9,762 racial incidents in England and Wales in the 12 months through March of this year, up 26 percent over the previous year.

Indeed, in a sharp change in the dynamics of race relations, second- and third-generation immigrants are becoming more active in community groups and politics, and advocating, as Fun-Da-Mental's music does, physical violence in self-defense against attacks by neo-Nazis and other white racists.

"It's not aggressive — it's a basic human right," Mr. Qureshi said in his record company's office in the melting pot neighborhood of Notting Hill in West London. "No matter what color you are, if you're getting beat up, you're going to fight back to protect yourself. Every government does it."

Growing up in Bradford, Mr. Qureshi, like a lot of immigrant children, informally took an English name — in his case, Peter — because

English people told him his real name was too hard for them to pronounce.

"A lot of our parents came here because they wanted security for their children," said Mr. Qureshi, whose father was a bus conductor in Bradford after coming to England in 1964.

"Obviously they concentrated on working, and there were pressures on them just to survive. My parents when they came across here carried the colonial brainwashing. They were always being tolerant, very tolerant, and apologizing for being here and trying to assimilate within a culture that didn't really mean anything to them."

After leaving school at 15, Mr. Qureshi played in several punk-rock bands, read widely and developed an increasingly radical political consciousness.

He helped form Fun-Da-Mental several years ago and stuck with it as the band fractured and then regrouped last year. Throughout, he and Mr. Watts have infused the music with an anger that has drawn considerable attention from both white and black audiences.

The group's message has been getting a wider airing as their recent album, "Seize the Time,"

which will be released in the United States next month by Atlantic Records, has broken into the Top 10 in the last month on the British alternative-music charts.

Mr. Qureshi, who goes by the stage name Propa-Gandhi, and Mr. Watts, who goes by Impi-D, open the song "Dogtripe" from the album with a recording of a threatening message a white supremacist left on the answering machine of a group called Youth Against Racism in Europe.

Then they sing:
There comes a time when enough is enough,
Afro-Caribbeans, Asians together is buff,
Our defense is on attack, minds are made up,
Bodies are fightin' back. Self-defense is no offense.

And we're ready, ready for the collision with the opposition.

It won't be a suicide mission.
And one thing about me, I'm not afraid to die.

If their hard-edged music reflects a growing sense among nonwhites that they have little choice but to abandon traditional passiveness, it also reflects a broader and complicated effort to find an identity that transcends their Britishness.

WORLD BRIEFS

Extremists in Algeria Warn France

BEIRUT (AP) — Islamic extremists in Algeria threatened Friday to strike at French interests there if Paris persisted in a crackdown on Muslim fundamentalists in France.

The Armed Islamic Group, which has taken responsibility for the killing of three French guards and two consular officials in Algiers on Aug. 3, also demanded that all French nationals leave Algeria.

In response to the killings, France has detained 23 people it says are linked to Islamic extremism. In a statement published in Al Hayat, an Arabic-language newspaper based in London, the Islamic group accused France of "great and vicious crimes" in Algeria and threatened to "strike forcefully at French interests."

Israel and PLO Begin Border Talks

RAFAH, Gaza Strip (APF) — Israel and the Palestine Liberation Organization began border talks here Friday amid hopes that the Palestinian authority would soon take control of its post on the crossing at the Egyptian frontier.

The senior Palestinian negotiator, Nabil Shaath, met with the Israeli police minister, Moshe Shaleh, and said he expected the Palestinians to take control of the Rafah border crossing from Egypt within two weeks. "We are here to discuss streamlining procedures at the borders, to make life easier for the Palestinians," Mr. Shaath said.

Mr. Shaath said arrangements for the handover of the Rafah border post to Palestinians would be complete by Thursday. "We will receive the border post the week after," he added.

Court's Sentence a Scandal, Kohl Says

BONN (Reuters) — Chancellor Helmut Kohl has harshly criticized a German court for giving a suspended sentence to a far-right leader, saying the decision was scandalous and unacceptable, a German newspaper reported Friday.

Mr. Kohl told the daily Bild Zeitung in an interview to be published Saturday that action should be taken against the Mannheim court, which gave Gunter Deckert, the leader of the far-right National Democratic Party, a one-year suspended term and a 10,000 mark (\$6,300) fine for denying that the Holocaust took place.

Official Defends Japan War Record

TOKYO (AP) — Japan did not intend to invade Asian nations in World War II, but its occupation benefited the countries, a cabinet minister said Friday, setting off a new furor over Japan's attitude toward the war.

Shin Sakurai, the director-general of the Environment Agency, retracted his comments. But they brought an immediate protest from South Korea, one of the countries Japan occupied.

At a news conference Friday, Mr. Sakurai said of World War II: "It was not a war which was the intention of invading. It's not true that Japan was the only bad one. Although we caused trouble for Asian nations, it was thanks to that that they were able to become independent. And education also spread, so that the literacy rate is far higher than in African countries controlled by Europe."

Israelis Said to Rebuff Iraqi Gesture

JERUSALEM (APF) — Iraq has made an offer to start a dialogue with Israel, but Prime Minister Yitzhak Rabin turned it down, Israeli television reported Friday.

The broadcast said Deputy Prime Minister Tariq Aziz had passed a message via the ambassadors of two United Nations Security Council members, including Morocco, to Israel's representative at the United Nations, Gadi Yacobi.

The message called for the two states "to open a new chapter," stressing that President Saddam Hussein no longer considered Israel an enemy country since the signing of the autonomy accord with the Palestinians. There was no confirmation of the report.

Mass Grave Found at Moscow Zoo

MOSCOW (AP) — Not far from crowds pressing around animal cages at the city zoo, a construction crew has dug up a mass grave of human skulls and bones that officials said Friday appeared to date from the Stalin era.

The workers dug up the remains of at least 10 bodies and said some of the skulls had single bullet holes — a trademark of the NKVD secret police, the notorious forerunner of the KGB. Digging at the site, intended to be a new bear cage, was halted Friday. But some workers remained to show their find to journalists. Some officials think the site might have been used to bury victims of the terror unleashed by Stalin in the 1930s. Many mass graves have been uncovered in recent years.

Malaria Reported Near Paris Airport

PARIS (APF) — Mosquitoes brought into France aboard improperly disinfected airplanes have caused three cases of malaria, one fatal, in the area near the Charles de Gaulle International Airport outside Paris since the beginning of the month, medical sources said Friday.

Two people contracted the illness Aug. 1 at their home near the airport. One of the two, a woman, died. The other is in a hospital in Paris. On Thursday, an airport employee who lives near the airport fell ill.

None of the three victims had recently traveled to malaria-infected areas, the local health department said.

Correction

In the listing of weekend events marking the Allied landings in Provence 50 years ago that was published in Friday's editions, an incorrect time was given for the memorial ceremony Monday at the Rhone American Cemetery in Draguignan. The correct time is 5:30 P.M.

TRAVEL UPDATE

British Commuters Brave Rail Strike

LONDON (Reuters) — Weary Britons struggled to work on Friday as signal workers extended the strikes that have periodically disrupted rail services for nine weeks.

The strikes over pay and conditions were to resume on Monday and Tuesday, meaning weekend services would be affected. British Rail said it could offer about 30 percent of normal services. Railtrack, set up to run tracks and signals for British Rail, has been using management personnel in the signal boxes during the dispute. The union rejected a proposal to hold a new strike ballot.

Tourists and residents fled as forest fires blazed through southern Corsica on Friday. Fanned by high winds, the fires, which have killed a woman, regained intensity after a brief lull. The hamlets of Arraggio, Palavese and Rinaggiolu and several campsites were evacuated. Sections of roads between the ports of Bonifacio and Porto Vecchio were closed. (Reuters)

Socialist Set to Cut Spending in Holland

Reuters

THE HAGUE — Finance Minister Wim Kok looked certain on Friday to become the Netherlands' third Socialist prime minister since the war when his draft coalition accord moved into its final stages.

The new cabinet, which must present the 1995 budget to Parliament on Sept. 20, will be committed to pruning public spending by more than 18 billion guilders (\$10 billion) over the next four years.

The proposed savings will be coupled with modest cuts in tax and social security payments aimed at stimulating job growth.

In June, the Organization for Economic Cooperation and Development in a report urged the newly elected Dutch government to "better balance social equity and economic efficiency" through a "wide-ranging reform" of its labor market and welfare system. It cited an overall tax burden that is one of the highest in Europe and a level of unemployment broadly measured at 26 percent.

Mr. Kok now has the prime minister post firmly in his sights after his policy blueprint was approved late Thursday by leaders of the three new coalition partners — Mr. Kok's Labor Party, the conservative Liberals and the leftist D66.

Once legislators from the three parties approve the 55-page text, Mr. Kok, a former trade union leader, will begin the process of distributing the expected 14 cabinet seats.

Labor wants the prime minister's post and four other ministerial posts. The Liberals expect to have five seats in the cabinet and the D66 four.

The Netherlands has been governed by the center-left cabinet of Ruud Lubbers since the inconclusive May elections. Mr. Lubbers's Christian Democrats were rejected by voters for initiating unpopular social security measures.

Labor emerged from the elections with 37 seats in the 150-seat lower chamber of the States-General, the Christian Democrats with 34, the Liberals 31 and D66 24.

The final stages of the coalition talks center on a radical shake-up of public funding for higher education and planned curbs on health care, state pensions and child benefit.

Labor and Liberal party members are divided on how to cut spending.

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STREET JUSTICE — Islamic activists marching in Dhaka, Bangladesh, on Friday demanding the return of the feminist author Taslima Nasrin, who has taken refuge in Sweden. The radicals called on Muslims in Sweden to help in the campaign to bring "the infidel back to our country."

Malaysia to Let Sect's Leader Return, if He Relents

The Associated Press

KUALA LUMPUR — The Malaysian government has offered amnesty to the leader of a banned Islamic sect if he renounces his teachings and returns from self-imposed exile in Jordan, news reports said Friday.

Malaysia may send emissaries to Jordan to persuade Abuys Ashaari Muhammad to come back and repudiate his teachings, which the govern-

ment says are deviationist and contrary to mainstream Islam, the newspaper The Star reported.

The sect, Al Arqam, was outlawed Aug. 5, and all its 40 communes and 237 schools were declared illegal. The group's 100,000 members were forbidden from preaching, and other Malaysians were told not to associate with them.

The controversy centers on Mr. Ashaari's claim, reiterated

in an interview published Friday, that he has spoken to Mohammed, the founder of Islam.

In a related development, the police accused Al Arqam of luring local Muslim young men to communes in Thailand, Uzbekistan and the Philippines. The group denied the accusation as "without proof."

In an interview in The Star, Abdul Hamid Othman, deputy minister in the prime minister's office, said the government

would not prosecute Mr. Ashaari if he agreed to help "rehabilitate" his followers.

It might take the government years to reform Al Arqam members on its own, but with Mr. Ashaari's aid it could be done faster, Mr. Hamid said. But Mr. Ashaari "should not come back as if he was leading a government-in-exile," he added.

The government is also willing

to register Al Arqam as a legal Islamic movement, he said.

Mr. Ashaari denies spreading deviationist teachings and says he will return on his own soon. The government has not sought to press charges against him pending legal advice from its advocate general.

Prime Minister Mahathir bin Mohamad has denied suggestions that the ban might have been motivated to crush Mr. Ashaari as a political threat.

German Socialists Promise Tax Cuts, Except for Wealthy

Reuters

BONN — The opposition Social Democratic Party tried to lure voters away from Chancellor Helmut Kohl's government Friday by promising quick and massive tax cuts if they win October's general election.

Oskar Lafontaine, tipped as the next finance minister if the Social Democrats win the Oct. 16 vote, said his party would launch a program to tax the wealthy and ease burdens on others.

"The SPD is planning the biggest program of tax cuts for average wage earners and families in the history of the Federal Republic of Germany," he said at a news conference.

The plan was announced as the party slipped further behind Mr. Kohl in opinion polls.

The Social Democrats' program of tax cuts would

involve around 75 billion Deutsche marks (\$48 billion) for the middle and lower classes, which would be financed by raising taxes for the wealthy and scrapping some tax write-offs for families.

Mr. Lafontaine ruled out a rise in value-added taxes to help finance the cuts, but he left the door open for a later increase in gasoline taxes.

On taking office, a Social Democratic government would scrap Mr. Kohl's so-called "solidarity tax," a 7.5 percent surcharge on income tax bills due in January, and would replace it with a 10 percent surcharge on tax bills for high-wage earners.

The surcharge would hit individuals earning more than 60,000 marks a year or couples with a combined income of 120,000 marks.

The party argues that the solidarity tax is unfair

because self-employed professionals such as doctors, lawyers and owners of small businesses do not pay it.

"Kohl's government has conducted a tax policy for the minority for 12 years," Mr. Lafontaine said. "We are going to make policy for the majority."

The Social Democratic program would take place in three steps:

First, the party would scrap the solidarity tax and introduce a tax on the wealthy. Then, family payments would be raised to 250 marks a month per child and compensated for by scrapping a tax exemption for families with children.

Lastly, the party would introduce a series of tax cuts for low and middle wage earners after 1996, when a court-ordered exemption from income tax bills for people living below the poverty level goes into effect.

French Gambling Figure Dies at 71

New York Times Service

Jean-Dominique Fraton, 71, a casino operator who once promised to make Nice the Las Vegas of the Riviera and who later fled France to avoid jail, died Aug. 5 in Lugano.

The cause of death was cancer, the newspaper Nice-Matin reported.

During the 1970s, Mr. Fraton, with the protection of a close friend, Mayor Jacques Médéric of Nice, was a powerful figure on the Côte d'Azur. At one time, he controlled casinos in Sainte-Maxime, Saint-

Raphaël, Juan-les-Pins, Menton and Nice itself.

The press called Mr. Fraton the Napoleon of the green tables; to friends in politics and in the milieu, as the Riviera's criminal underground is known, he was Jean-Do.

In 1978, Mr. Fraton was convicted of fraud and was sentenced to a year in prison.

But he slipped out of France, going to Switzerland in 1980, then to the Dominican Republic, Paraguay, Spain, and back to Switzerland. In 1987, Switzerland turned down the last of several French requests for his extradition.

Peter Cushing Dies at 81; Actor Played Frankenstein

New York Times Service

Peter Cushing, 81, a British actor who chilled a generation of filmgoers as the evil Baron Frankenstein, died Thursday at a hospice in Canterbury, England. The cause was cancer, The Associated Press reported.

Mr. Cushing portrayed the mad scientist Baron Frankenstein in films like "Frankenstein and the Monster from Hell" and "Frankenstein Created Woman." His film roles also included Count Dracula.

Both Bickering Pilot and Co-Pilot Will Be Charged in Korea Crash

The Associated Press

SEOUL — A pilot and co-pilot who blamed each other for a crash that destroyed their Korean Air jetliner will be charged with causing the accident by quarreling during the landing, an official said Friday.

All 152 passengers and 8 crew members escaped shortly before the Airbus A-300 blew up Wednesday after skidding off a runway on the southern resort island of Cheju.

The pilot, Captain Barry Edward Woods of Canada, and the co-pilot, Chung Chan Kyu of South Korea, will be charged with negligence, a police official said. The two were released Thursday after two days of questioning.

The police said the pilot had insisted on landing while the co-pilot, fearful that the airliner would overshoot the runway, tried to intervene. In the struggle to control the plane, it skidded and rammed a safety barricade.

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★POLITICAL NOTES★

Judge and Senator Explain 'Power Lunch'

WASHINGTON — At the time he and two other judges were deciding who would handle a politically sensitive investigation of President Bill Clinton, Appeals Court Judge David B. Sentelle met on Capitol Hill with a conservative Republican who led efforts to remove Robert B. Fiske Jr. as the Whitewater special counsel.

Judge Sentelle and Senator Lauch Faircloth, Republican of North Carolina, who share roots in home-state Republican politics, confirmed that they met for lunch in mid-July, a time when Judge Sentelle was considering whether Mr. Fiske would be permanently appointed the independent counsel in the Whitewater case. Legal experts questioned the wisdom of the lunch meeting in view of the matter's political implications.

Mr. Fiske's sudden removal a week ago by the panel headed by Judge Sentelle, stunned the White House and Democratic members of Congress and led to new charges of partisanship in the conduct of the Whitewater inquiry. The partisan fight escalated with the panel's appointment of Kenneth W. Starr, an active Republican and U.S. solicitor general in the Reagan and Bush administrations.

Judge Sentelle and Senator Faircloth say that they did not discuss Mr. Fiske during the lunch. According to Judge Sentelle, the two joined Senator Jesse Helms, Republican of North Carolina, for a lunch in which they talked about Western wear, old friends, and prostate problems.

But someone who saw Senator Faircloth and Judge Sentelle board a train underneath the Capitol complex said the two were involved in an "animated" discussion in which Senator Faircloth did most of the talking. (WFP)

Back to the 'Rough and Tumble' for Mikva

WASHINGTON — In installing Abner Mikva, a prominent former lawmaker who is now a federal judge, as his new White House counsel, President Bill Clinton has turned once again to a pillar of official Washington — a man who said recently that he was "too old, too white, too male and too liberal" ever to be named to the Supreme Court.

Mr. Mikva, a ruddy, 68-year-old Chicagoan, will return to the political wars through the unusual step of surrendering a lifetime appointment on the bench — he is chief judge of the U.S. Court of Appeals for the District of Columbia — to enter service in the executive branch at an age when many men have already retired.

By the end of next month, he will have been Judge Mikva for 15 years, long enough to guarantee a pension at full judicial salary. But he now knows that he will never be "Justice Mikva." (NYT)

White House Cracks Down on Gifts, Etc.

WASHINGTON — The White House says political employees can no longer accept gifts or trips from companies they regulate, even if they later repay the companies. The move is part of a new effort by the administration to distance itself from the ethics problems of Agriculture Secretary Mike Espy.

Officials also said President Bill Clinton believed that Mr. Espy had made "some errors in judgment" by accepting transportation, lodging and tickets to sporting events from companies regulated by his department, including Tyson Foods Inc. (WFP)

Quote/Unquote

Senator William V. Roth Jr., Republican of Delaware, in a fund-raising appeal sent in the guise of a letter from his pet dog, Thor: "Being a St. Bernard, I know the value of good breeding. When I first got the Senator, I knew he was the pick of the litter. He is also extremely smart and obedient." (WFP)

U.S. Warns American Boaters Against Helping Cubans

Compiled by Our Staff From Dispatches

WASHINGTON — Attorney General Janet Reno pledged Friday that strong action, including the seizure of American vessels, would be taken against boat owners trying to help Cubans flee their island.

Ms. Reno said in a television interview that those Cubans coming on their own to the United States would be allowed to enter the country under the long-standing easy immigration policy for Cubans. But she warned Cuban exiles and others in the United States not to try to help Cubans flee.

She said that Florida and the federal government did not want a repeat of the Mariel boatlift in 1980, when the Cuban president, Fidel Castro, let thousands of prisoners and mental patients go to the United States.

"We will take steps, all steps prudent, to see that doesn't happen," she said.

"Those who come here will enter the country," Ms. Reno said. "But what we want to do is to let people know — don't go south to pick up people." She said the Coast Guard may stop boats that are going south, and "if they have probable cause to believe that there is violation of law, they will take appropriate action and seize the vessel."

"It is time that we make sure that we don't play into Castro's hands and let there be a repeat of Mariel," she said.

So far this year, 3,345 Cubans have arrived in the United States after leaving on boats or rafts.

On Thursday, U.S. Customs officers arrested three Cuban-Americans accused of piloting a

boat to Cuba to pick up 22 people and bring them back to Florida.

The administration "decided we needed to send a clear message that we were serious" about stopping it, a senior U.S. official said.

Ms. Reno's remarks revealed the anxiety within the Clinton administration over the possibility of another Mariel boatlift.

The administration's actions also follow Cuban complaints after four hijackings of vessels in Cuba in the last two weeks by people who made the 90-mile (145-kilometer) run to Florida.

Mr. Castro said he might lower barriers to immigration if the hijackings continued.

In Havana, Mr. Castro went on television late Thursday for the second time in a week to demand that the United States change its policy of granting automatic asylum to Cubans, which he claimed encouraged illegal exiles.

Cuba wants the United States to allow more refugees into the country legally, noting that the maximum 20,000 annual U.S. immigration quota is rarely if ever filled.

"We continue to demand that they put an end to this policy," Mr. Castro told a panel of journalists in an appearance lasting more than 90 minutes.

He contended that "massive emigration" was inevitable since he said U.S. policy had invited it. Administration officials held discussions Thursday with Cuban-American leaders and remain convinced that Cuban exiles support the policy of resisting crossings to Cuba.

In Miami, Cuban-American leaders continued to call for calm, urging their constituents not to leap into boats for the ride to Cuba to rescue family or friends. (Reuters, WFP, NYT)



WOODSTOCK HIGH — A fan "crowd surfing" Friday as the anniversary rock concert in New York state began.

Away From Politics

• A federal grand jury indicted an anti-abortion extremist on charges of violating the new federal clinic-protection law by fatally shooting a Florida abortion doctor and his escort. Paul J. Hill is already charged with two state counts of murder.

• Shannon Faulkner's bid to become the first woman cadet at The Citadel, in Charleston, South Carolina, has been delayed by a federal appeals court.

• The man who rusted on a rat killer is the target of revenge. Police said a dead baby muskrat, nailed to a wooden cross, was left on the lawn of Lee Bernstein, the executive director of the American Humane Societies of New Jersey. Mr. Bernstein had issued two complaints of animal cruelty against Frank Balun, who killed a rat that was eating his tomato plants.

• The youngest of four teenagers charged with murdering a British tourist at a highway rest stop in northern Florida has pleaded "no contest" to a reduced charge and will testify against the others. Cedric Green, 14, agreed to the plea.

• A U.S. fishing vessel was seized by Canadian officials for allegedly fishing for flounder illegally inside Canadian waters off Newfoundland. An official of the Canadian Fisheries Department said the captain of the Galicia 1 had been arrested.

• A 13-year-old boy has died after swimming in the Rio Grande, U.S. health officials said in Laredo, Texas. The boy absorbed water containing a fatal amoeba spawmed by pollution.

• The army's plan to hand over its Presidio installation overlooking San Francisco Bay to the National Park Service has been modified. The army will also continue to occupy one-third of the Presidio's 1,480 acres (596 hectares), but it will pay the park service \$12 million in rent and other fees. (AP, NYT, Reuters)

Battered House Democrats Put Health Reform Debate on Hold

By David S. Broder and Spencer Rich
Washington Post Service

WASHINGTON — House Democratic leaders, shaken by their unexpected defeat on the crime bill, have announced a delay of indefinite duration in taking up health care reform.

The House speaker, Thomas S. Foley of Washington, said that the House would stay in session next week but would

work on other matters, including a second effort to pass the crime bill. He refused to speculate on when the health care measure might be debated.

"I want to do it as soon as possible," he said after a strategy session Thursday following the setback on the crime bill. "But I don't know when it will be."

With Republicans threatening slowdown tactics in the Sen-

ate as well, the whole timetable for health care legislation appeared to be in jeopardy. Even after bills are passed by the House and Senate, they must be reconciled by a conference committee and then re-passed in both houses. Congress plans to adjourn in less than two months.

Mr. Foley blamed the delay in the House on the time needed by the Congressional Budget

Office to estimate the costs of four major health bills awaiting House consideration. The bills were completed, in some cases, only Wednesday night.

But the decision, following the loss on the crime bill and the emergence of a bipartisan, conservative health bill that could gain majority support on the House floor, suggested deep concern by the Democratic

leaders about the fate of the measure backed by President Bill Clinton.

Mr. Clinton, appearing at the White House late Thursday, said that "health care is not going to take a vacation" and that Congress ought to continue work on both the health care and crime bills.

The Senate majority leader, George J. Mitchell, said the Senate, which began debating health care three days ago,

would continue to plug away at the issue.

Stunned by Rebuff on Crime Bill, an Angry Clinton Vows to Try Again

Compiled by Our Staff From Dispatches

MINNEAPOLIS — Stunned by the biggest defeat of his presidency, President Bill Clinton vowed Friday to resurrect a \$33 billion crime bill, and he delivered a blistering attack on lawmakers who voted to kill it.

A day after the House voted to reject the bill, Mr. Clinton canceled his Washington schedule and traveled to Minneapolis to address a police convention and rally support for his cause.

He said Republicans and even some of his own Democrats "walked away" from anti-crime measures aimed at fighting the problem that most Americans consider a No. 1 priority.

"Because of organized, in-

tense and highly political pressure, a majority walked away, away from the police patrolling our streets, away from the children and the senior citizens afraid to walk on those streets," Mr. Clinton said.

"We are going to get you a crime bill," he told the National Association of Police Officers.

In Washington, the House majority leader, Richard A. Gephardt, said the House would take up the crime bill late next week, and lawmakers discussed changing an assault weapons ban to help pass the measure through the House.

The bill was shelved Thursday by a coalition of Republicans, anti-gun control Democrats and blacks upset by an expanded death penalty.

A move to bring the bill to the floor was defeated, 225 to 210, with 58 Democrats going against their president to derail the package.

The speaker of the House, Thomas S. Foley, Democrat of Washington, said the lawmakers would return to the Capitol to vote anew on a crime bill. "We are going to put this bill over the top," he predicted.

But other legislators were not so certain.

"Anyone who thinks we can produce a new crime bill in the month remaining is smoking something," said Representative Charles E. Schumer, Democrat of New York, who had steered much of the legislation through the House.

At a breakfast meeting with reporters on Friday, Mr. Gephardt was asked if the bill could be passed with the assault weapons ban that sparked a furious campaign by the National Rifle Association.

"I think so, but probably not the same one," he said.

Before he left Washington on Friday, Mr. Clinton criticized the legislators who voted to keep the bill from reaching the floor. Those opposed "decided that their political security was more important than the personal security of the American people," he said.

Roll after roll, he said, showed crime is the top worry of the American people and "if we can't meet this concern there is something badly wrong in Washington."

After the House vote Thursday, an angry Mr. Clinton called the procedural move a "trick orchestrated by the National Rifle Association, then heavily pushed by the Republican leadership."

For Republicans, the vote represented a rare chance to set back the Democrats on a highly charged issue. The House Republican whip, Newt Gingrich

of Georgia, said the Republicans were prepared to go back to conference on Friday.

The six-year legislation

would also have banned many assault-style firearms, provided bailiffs for prisons and crime prevention, made more than 50

additional crimes subject to the death penalty and allowed life sentences for some third-time felons. (AP, NYT, Reuters)

Simpson Judge Won't Release Photos of 2 Slaying Victims

The Associated Press

LOS ANGELES — The judge in the O.J. Simpson case refused Friday to let reporters see photos of the murder victims, saying that "graphic, sensationalistic" descriptions of the pictures would hurt Mr. Simpson's chances for a fair trial.

Superior Court Judge Lance A. Ito, in a written ruling, said he was keeping sealed a picture of Nicole Brown Simpson and two photos of Ronald L. Goldman lying in pools of blood.

He did make some photos of evidence available, and he released the transcript of a closed meeting of attorneys July 8 in which the defense suggested that a telephone record showed

that Ms. Simpson had spoken to her mother at 10:17 the night she was killed.

The judge said reporters describing the gruesome photos would paint mental images in the minds of potential jurors that would prejudice the right to a fair trial to both parties.

Judge Ito did allow reporters to review photographs of several exhibits used during the preliminary hearing, including gloves, a knit cap and a shoe print.

The judge was responding to a request from news organizations to view crime scene photographs shown to witnesses during Mr. Simpson's preliminary hearing.

Plan to Paddle Graffiti Vandals Loses

The Associated Press

SACRAMENTO, California — A proposed state law calling for the public paddling of young graffiti vandals was defeated by a legislative committee after foes said such punishment would only encourage violence.

The measure — inspired by the caning of an American youth convicted of vandalism in Singapore — fell one vote short of what was needed to pass the 23-member Assembly Ways and Means Committee.

The measure would have allowed juvenile court judges to order a youngster convicted of graffiti vandalism to be struck 4 to 10 times in the courtroom with a wooden paddle by his or her parents. If the parents refused, a bailiff would have administered the blows.

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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

El Salvador's Fragile Peace

For years the tiny nation of El Salvador preoccupied the United States, much as Haiti does now. During the 1980s a bloody civil war, exacerbated by cold-war rivalries, terrorized the country.

Paramilitary death squads kidnapped and murdered anyone who dared to question the far-right government, from students to union members to the clergy, including the San Salvador archbishop.

Since the war ended in 1992, U.S. attention has flagged; but the peace is fragile. While the guerrilla opposition, the Farabundo Martí National Liberation Front, or FMLN, laid down its arms and participated in elections earlier this year, there is continuing evidence that rightist death squads have not been so happy to give up their old methods.

A Truth Commission established by the peace accords released a report in March confirming the participation of the military, the police and paramilitary groups in massacres, torture, political kidnappings and other crimes since 1980.

Leading FMLN members have been murdered this year. Cases of death threats, beatings and illegal detention, all apparently politically motivated, have been reported. An amnesty law passed by the National Assembly allowed many reported perpetrators of brutal human rights violations to avoid prosecution.

A Joint Group was established by the

government last year to investigate reports of such abuses. Last week the group, made up of the human rights organization created by the peace accords, the UN observer mission and two government lawyers, released its report.

It is a cautious document, but it confirms that the paramilitary death squads remain, though their structures have changed. They have become more decentralized and have branched out into organized crime. Members of the current armed forces and national police are involved. The group has refused to make any names of suspects public but has released a separate, private annex to its report to government officials, naming names.

No true civil society will grow in El Salvador until its ordinary citizens can have confidence that they will not be killed, robbed, beaten or intimidated by people responsible for law and order.

One mandate from the peace accords, a thorough investigation of the death squad structure, still has not been fulfilled. That — along with judicial reform, as recommended by the accords, the Truth Commission and the Joint Group — is the only way to cleanse Salvadoran society of its endemic official corruption. The United States needs to keep pressure on the Salvadorans until the job is truly done.

— THE NEW YORK TIMES

A Flawed Bill Goes Down

President Bill Clinton suffered a stunning defeat Thursday when the House of Representatives refused to take up the crime bill. And, to the apparent surprise of the White House, the vote was not even close. Only a handful of Republicans crossed the line to save the bill, and dozens of Democrats defected. The gun lobby had a lot to do with this. Its campaign to defeat any measure that included an assault weapons ban succeeded. But the bill's opponents cited broader reasons, from strong opposition to the prevention provisions in the bill to dissatisfaction with provisions they view as not tough enough on criminals.

While the vote does not preclude the possibility that a revised conference report can be brought to the floor in what remains of this session, chances are slim that tampering with language or gutting the gun provisions will garner sufficient support. The bill's supporters have already given up a great deal.

The conference report would have made more than 60 federal crimes death penalty offenses. It had tough provisions on repeat offenders and truth in sentencing. It had nothing on habeas corpus reforms that would have ensured quality

legal representation for defendants facing execution. There is nothing more that can be given up to win the support of opponents that will not drive away more votes than are attracted.

We have long been leery of such blockbuster crime bills, put together at the end of a session. They usually tempt legislators with all the opportunities to showboat on the issue. The mandatory minimum sentences enacted in these circumstances over the years — which send minor nonviolent drug offenders to prison for unconscionably long terms — are an example of the thoughtless, vindictive provisions that all too often win support.

This year's bill contained many objectionable features and appeared to be worthy of support only for its substantial aid to local and state law enforcement programs, the relatively minor concession authorized in the case of nonviolent first offenders, the money for social services in high crime areas and, of critical importance, the modest ban on assault weapons. These are the features most likely to be cut if the conference were to be reopened. Sacrifice of these provisions would make it a bill that deserved to die.

— THE WASHINGTON POST

The Trouble in Alabama

The rural town of Wedowee, Alabama, has erupted twice in racial disturbances this year. First the high school principal, Hulond Humphries, shocked the nation with remarks about interracial dating and by calling a student of mixed race a "mistake" of her parents.

Now the Randolph County High School itself stands gutted by fire, declared arson by local officials and a federal investigation team.

Each episode has brought a prompt and appropriate federal response. It now will be up to the Justice Department and, if necessary, the federal courts to maintain the pressure already generated. They must finally force this pocket of resistance to comply fully with desegregation decrees a quarter-century old.

After Mr. Humphries' outburst the Justice Department moved appropriately to reopen the county's longstanding school desegregation lawsuit, demanding the principal's transfer and a plan to change the school system's racially hostile environment. Last weekend, as black residents and Ku Klux Klansmen both prepared rallies, the school was torched. A task force of FBI and Treasury agents responded to help local forces investigate the fire.

The principal's crude remarks, and his insulting threat to cancel the high school prom to prevent interracial dating, sent federal attorneys to their files. There they found Randolph County's schools mired in their segregated history, unwilling to hire and promote black teachers and staff or even to hire more than a handful of black bus drivers. Mr. Humphries was but the embodiment of a sick system.

As the fire's embers were cooling, the school board wrote the federal court in Montgomery that things were changing in Wedowee. Mr. Humphries has been reassigned. A black first-grade teacher has been promoted to assistant principal. A biracial faculty committee has been appointed to hear student grievances. These concessions persuaded the Justice Department to continue negotiations

and postpone a court hearing on its motion for temporary orders against the school board. Some of these steps hold promise for better schooling and better race relations.

One disturbing feature, though, is that Mr. Humphries' reassessment is to oversee the physical rebuilding of the school, though the board agreed that he must stay away from the site even in performance of those duties. That in itself seems impractical; but the assignment seems grossly inappropriate, given that Mr. Humphries, as the living symbol of local racial intolerance, would remain in a highly visible, centrally important post. Is this just a way for a school board largely sympathetic to Mr. Humphries to help him retain a role in the school system? No one should lose a career over his beliefs; but Mr. Humphries, acting as a school official, actively promoted racial intolerance and tried to deprive students of their rights.

Wedowee's highest school officials are now learning to clean up their language with conciliatory talk about "the community's willingness to change." A thorough exploration of Mr. Humphries' fitness for any educational post would be strong evidence of that change.

— THE NEW YORK TIMES

Other Comment

Toward Israeli-Syrian Peace

The beginnings of a Tel Aviv-Damascus entente will still take weeks, if not months. Nonetheless, certain tremors are perceptible — and they bode well. Official television showed images of the Aqaba meeting between King Hussein and Yitzhak Rabin and the inauguration of the Israeli-Jordan border crossing. President Hafez Assad is slowly gathering Syrian public opinion for "D-Day," when Syria will undertake a concrete step toward peace with Israel.

— Le Monde (Paris)

Rwanda: The Rule of Law Is Important

By Theodore E. McCarrick

KIGALI, Rwanda — For lack of a modest investment in human rights monitors, the international community is losing an important opportunity. The immediate provision of 50 such monitors to Rwanda is critically important, both to help achieve national reconciliation and to expedite the early return of refugees from Zaire and Tanzania.

On Monday, the United States promised important assistance in re-establishing the Rwandan judicial system, establishing an international war crimes tribunal, and gathering evidence and preparing cases. John Shattuck, assistant secretary of state for human rights, linked the future of U.S.-Rwandan relations to a firm commitment by the Kigali government to the rule of law. This constructive U.S. position must be implemented quickly. After all the killing and suffering, the Rwandans will not be preached to or put off indefinitely. The cost of such assistance would be paltry compared with the vast sums being spent for emergency relief.

An early and serious effort must be made to build the capacity of the new Rwandan Justice Ministry to investigate and prosecute human rights abuses effectively, but with full respect for due process.

The credibility of the international community is on precarious ground in Kigali. After the horrible massacres touched off by military leaders of the former Rwandan Army, during which the world stood passively, the extraordinary effort now to rescue refugees in Zaire has also brought succor to

many of those who carried out the massacres.

The new Rwandan government has offered a remarkable sign of its commitment to a long-term effort to establish rule of law. In a letter to the UN secretary-general, Justice Minister Alphonse Nkubito stated strong support for the establishment of an international tribunal and agreed to hold those arrested for genocide crimes under humane conditions, deferring the prosecution of such persons to an international body.

But the new government's patience is limited. Mr. Nkubito warned: "We must see clear and decisive steps taken by the international community toward the prompt formation of a tribunal."

This warning should be heeded. If the Rwandan government, driven by internal pressures, were to proceed unilaterally in prosecuting human rights violators, the cases, no matter how carefully prepared and tried, would be suspect with the Hutu population.

Months ago the rebel Rwandan Patriotic Front, now the core of the new government, asked that human rights monitors be assigned to Rwanda. To date there are only two such monitors, and their ability to move and communicate is limited. Fifty monitors would be a bare minimum. They will require vehicles, communications and computers.

If the families of victims are not to turn to indiscriminate vengeance, the international

community must make a vigorous effort to investigate and prosecute cases of abuse. Reconciliation requires rule of law and respect for due process. The involvement of the international community is needed to give credibility to this process as well as to provide advice and resources.

The early initiation of such an effort is also critical to the return of most refugees. Rumors are rife of returning refugees being killed by soldiers of the new government. These rumors are spread by members of the former government to keep the refugees under their sway in the Zaire camps.

Indications are that the new government intends to respect the human rights of all Rwandans. The new justice minister has a strong reputation as an advocate of human rights. But there is a very real danger of local incidents of vengeance. With a sufficient number of human rights monitors in place, the international community could work with the government to reassure the refugees that it is safe to return home.

The costs of such judicial and human rights measures are minor next to those of relief and reconstruction. But unless we act promptly on human rights, those larger investments may be wasted.

Archbishop McCarrick, chairman of the Migration Committee of the National Conference of Catholic Bishops, is on a fact-finding mission in Rwanda. He contributed this comment to the International Herald Tribune.

Burundi: Warning Enough to Prevent Disaster

By Eric Gillet and Alison Des Forges

NEW YORK — As violence in Rwanda abates, slaughter in adjacent Burundi increases. This week, extremists killed 15 people in the capital, Bujumbura, forcing the city to shut down.

In late July, Tutsi militias killed about 200 Hutu in central Burundi. A few weeks earlier, Hutu militias killed several hundred Tutsi in the northeast.

This summer has seen an increase in the recruiting of militia members, the distribution of firearms to civilians and radio broadcasts inciting violence. These events mirror what occurred in Rwanda before the massacres began in April. Has Rwanda's horror taught us nothing?

As a senior State Department official said, "The generosity of the American people often exceeds their political understanding." That, he said, is why the United States didn't give \$10 million in May to equip UN forces that might have staved off the current tragedy and are now paying \$500 million to save Rwandans. And that is why America will probably do nothing as Burundi disintegrates.

Like Rwanda, Burundi has a single language and culture, and

its population (of about 7 million) is about 85 percent Hutu and 15 percent Tutsi.

The Tutsi held military and political control from independence in 1962 until 1993, when Melchior Ndadaye, a Hutu, was elected president. But he was unable to shake the Tutsi hold on the military, and in October he was killed by the army during a failed coup.

Immediately afterward, Hutu civilians began killing Tutsi, often with the help of government officials. The military then reacted without mercy against defenseless civilians — slaughtering Hutu even in areas where no Tutsi had been killed.

Faced with escalating massacres and the loss of international aid, the army ordered its soldiers back to their barracks after 20 days and let a civilian government resume control.

A report by the International Commission on Human Rights Abuses in Burundi concluded that up to 50,000 people were slaughtered in this violence. The report identified many of the individuals responsible on both

sides, yet there has been no effort to prosecute them.

In the absence of government action, Burundians have been serving out a rougher form of "justice." Many of the Hutu killed by Tutsi last month had been suspected of murdering Tutsi in October.

Having witnessed the carnage in Rwanda, the Burundian Tutsi now fear similar massacres. The Hutu dread a possible alliance between their Tutsi-dominated army and the largely Tutsi Rwandan Patriotic Front, which triumphed in Rwanda. The cease-fire there has flooded the region with weapons and created a pool of angry, defeated Rwandan Hutu soldiers in Zaire.

To stem this spiral of fear, the Burundian government must show that slaughter is not an acceptable political strategy. It should begin prosecuting suspected killers, whether Hutu or Tutsi, civilian or military.

If the government makes impartial efforts to bring murderers to justice, extremist political leaders might be persuaded to dismantle their militias.

The United Nations should place an embargo on arms sales to Burundi and insist that the Zairean government halt Hutu radio broadcasts from within its territory that call for exterminating the Tutsi. And the UN Human Rights Commission should deploy civilian observers throughout Burundi.

Burundi's main sponsors — the United States and the European Community — helped persuade the military to back off in October. Now they must insist that all assistance to the country and its military be conditioned on the prosecution of human rights offenders and other reforms, including setting up a civilian police force independent of the military.

Violence in Rwanda has often been echoed by killings in Burundi and vice versa. Given clear warning signals, the United Nations should act now to prevent an expensive disaster later.

Mr. Gillet is a consultant to the International Federation of Human Rights. Ms. Des Forges is a consultant to Human Rights Watch. They contributed this comment to The New York Times.

Selective Engagement, or Just Muddling Through?

By Stephen S. Rosenfeld

WASHINGTON — Edward Mortimer writes in the Financial Times that from afar in London he was thought up, but that when he got up close in Washington recently, he was shocked to discover that criticism of Bill Clinton's international performance had become widespread and seething and was intruding upon his domestic prestige.

Mr. Mortimer put his finger on a defining contradiction of the Washington moment. Mr. Clinton can boast easily demonstrable success in the economy and at the least a principled pursuit of health care reform, as well as signs of foreign policy steadiness — engagement with Russia and China, good trips to Europe, consensus on Bosnia, Middle East progress, trade agreements.

Yet especially for his foreign policy, the president suffers low-to-middling standing in public and press opinion. Whitewater, his personal travails and the talk-show tattoo hardly seem enough to make the difference.

Well, he has bobbed. Circum-

stances have been unpromising. The foreign policy establishment's snobishness toward a country boy has been in evidence. Republicans have been partisan.

Take the criticism that emanated from the collected globe-twirlers of the Republican Party at its recent "idea week." James Baker, George Bush's secretary of state, briefly commended Mr. Clinton's work on Russia, the Middle East and trade. He then lavished attention on the stumbles: Haiti, Korea, China. There's "no overall sense of direction . . . and no sense of consistency," said Mr. Baker. "There is a tendency to view foreign policy through the lens of domestic politics . . . and a seeming inability to understand the importance of American leadership."

To hear Mr. Baker, who — if we are going to get down and dirty — let Yugoslavia disintegrate, let North Korea go nuclear, let Haiti's elected president be ousted; to hear Mr. Baker take out after Mr. Clinton on issues of post-Cold War disorder marks a memorable

triumph of nostalgia and partisanism over reality and good sense.

Then to read from Mr. Mortimer's account of his own chat with Mr. Baker, that Mr. Baker thinks America should look at the world with a steady eye and practice "selective engagement." What is that but a fancy name for a policy otherwise dismissible as having "no overall sense of direction . . . no sense of consistency?"

The truth is that the new global clutter is harder to get a handle on than the old Cold War threat. The American people, unconvinced that "vital" interests are at stake, are plainly reluctant to pay much of a cost, regardless of which party is in power.

Mr. Bush brought his finely honed Cold War habits to the task, felt dismally short in key instances and dumped his failures — Bosnia, Haiti, Korea — upon his successor. Mr. Clinton brought to office an untested disposition to spin off what used to be called "Third World" issues to the United Nations. He then learned the hard way, especially by Somalia, that the institutions were not ready for the mission.

The core question is one that Mr. Clinton has not yet frontally addressed. Is it not smart to endow the United Nations with the resources to cope, subject to Security Council authority, with the next generation or two of international disorder? The alternative is for America and its friends to take on the crises they feel most and to let the others flare.

You could call it selective engagement. Stanley Sloan of the Congressional Research Service, in a study of what he calls an emerging American "self-deterrence," joins others in seeing a gathering international instability likely to be met not really checked by an American "coping strategy, muddling through."

Mr. Sloan judges that "President Clinton and his advisers apparently remain more wary of the political costs of the use of force than worried about the longer-term potential penalties of self-deterrence." Mr. Sloan worries about the anything-goes conclusions that irresponsible others might draw from American self-restraint and about a president who, seeing things drift, might launch an ill-advised showing of force to catch up. To the question of how is the president doing, the answer is: better. To the question of how is the country doing, the answer is: unsure. In the interaction lies the fate of Mr. Clinton's presidency, and much more.

The Washington Post

Why the Stakes Are So High in Algeria

By Daniel Pipes

PHILADELPHIA — After North Korea, what foreign crisis poses the greatest danger to the United States? My candidate is Algeria. Algeria may lack the drama of nuclear weapons, besieged cities, or masses of starving refugees. But what happens in this country of 28 million may have vast implications for Europe and the Middle East.

Algeria is the battleground where a radical utopian ideology, that of fundamentalist Islam, has the best chance to seize power. This has led to virtual civil war.

In their campaign to take power, fundamentalists have resorted to brutal intimidation. Hundreds of leading figures — intellectuals, politicians and journalists — have fallen victim to violence, as have thousands of ordinary Algerians. A campaign of murder against foreigners has forced nearly every Westerner to flee. The economy is failing, public services are hobbled and the regime is in jeopardy.

A fundamentalist Muslim victory would almost certainly lead to more violence, both domestic (to break internal opposition) and foreign (to dominate North Africa). This would spark an exodus of nonfundamentalists. Already, some 2,500 Algerian refugees are fleeing each month to France. Hundreds of thousands more would follow a fundamentalist takeover. When the new

leaders export the revolution to Tunisia and Morocco, the refugees may number in the millions.

The mood in Western Europe is such that an Algerian refugee influx could provoke a reactionary backlash. This could bring far-right governments to power, governments whose polarizing policies could exacerbate existing social tensions. European leaders fear this might pose a threat to the Atlantic alliance.

Chancellor Helmut Kohl of Germany asserted this year that "the rise of Islamic fundamentalism in North Africa is the major threat" to Europe today. Prime Minister Edouard Balladur of France has called a fundamentalist revolution in Algeria the leading threat facing his country.

The success of an Islamic Republic of Algeria would immeasurably boost the morale and resources of fundamentalism in the Middle East. This would have special importance for Egypt, probably giving Muslim radicals the boost they need to overturn the regime of Hosni Mubarak.

Fundamentalist rule in Cairo would have a profound impact on the Middle East. Egypt would return to the rejectionist camp, determined again to eradicate the Jewish state. The country's arsenal

of missiles and unconventional armaments would grow. Egyptian ambitions to control oil exports from the Middle East would probably revive. A fundamentalist takeover in Egypt would spur waves of emigration to the West.

In short, a fundamentalist Muslim seizure of power in Algeria might signal the beginning of a terrible decline for the Middle East. The second battle of Algiers is the main stage of the Middle East; in comparison, the Arab-Israeli peace process is a sideshow.

Foreign politicians are baffled by the crisis in Algeria. As a Pentagon official said, "No one — not the French, the Tunisians, the Egyptians or us — knows what to do." But Washington can take two important steps.

First, it should declare clearly a principled opposition to the ideology of fundamentalist Islamic extremism and an intent to help Muslim regimes stave off fundamentalist challenges. Second, it should work more actively with the Algerian authorities, offering short-term financial aid, pressuring them to make improvements in human rights, and taking other practical steps to prevent the fundamentalists from reaching power.

The writer is editor of Middle East Quarterly, a new journal published in Philadelphia. He contributed this to The Washington Post.

Remember The Rape of East Timor

By Anthony Lewis

NEW YORK — Even in a world with Rwanda and Bosnia, the cruelty at this place has been horrifying: an invasion by a foreign army that has killed as much as a third of the population.

The place is East Timor, the killers the government and army of Indonesia. East Timor is half of an island (500 kilometers) 300 miles north of Australia, so remote that Indonesia has been largely successful in hiding from the world the slaughter and repression it has carried out since occupying the territory in 1975.

The shroud covering the occupation was pierced in 1991, when Indonesian soldiers fired into a crowd of mourners at a cemetery, killing more than 100. An American was there and wrote about it, and a British filmed parts of it.

Now we have powerful new evidence of the horror in East Timor. John Pilger, an Australian reporter, and two others went in incognito with hidden cameras. British Independent Television has shown their film, "Death of a Nation: The Timor Conspiracy."

The film includes ghastly firsthand descriptions of the mass killing of Timorese civilians. It has much new material on the role of Britain, Australia and the United States in aiding Indonesia and condoning the invasion.

President Gerald Ford and Secretary of State Henry Kissinger visited Indonesia just before the invasion. Philip Leitch, a CIA official there at the time, says in the film that he is sure President Suharto "was explicitly given the green light to do what he did."

Mr. Leitch says most of the weapons used by Indonesia were American. Aides called Mr. Kissinger that such use of material supplied for "defense" would violate U.S. law. He exonerated them for putting the point in writing, saying it might leak and embarrass him.

The Pilger film quotes Mr. Kissinger as telling a staff meeting: "Can't we construe a Communist government in the middle of Indonesia as self-defense?" The Timorese had shown no sympathy for communism. They just wanted independence.

Today, nearly 20 years after the invasion, the Suharto government continues to make strenuous efforts to prevent international discussion of East Timor. It pressured the Philippine government to limit a conference on the subject in May and is now trying to stop a meeting in Malaysia.

But more evidence of continuing repression is emerging. Some of it comes from Western journalists who have been allowed into East Timor this year on tours that were carefully controlled but that nevertheless let reality slip through from time to time.

The Economist magazine had a writer there with others on a guided tour in April. He wrote that they were treated to robotic praise of Indonesia but that discontent was evident. The Indonesian-appointed governor, Abilio Soares, admitted to them that 100,000 to 200,000 Timorese had died as a result of the war. The prewar population was 688,000.

A conservative British weekly, The Spectator, had a piece in February by Edward Tebberon, who had remained in East Timor. He found it reminiscent of the Baltic states under Soviet occupation, full of soldiers and informants and lies. The striking sights, he said, were the cemeteries.

The world is said to be suffering from compassion fatigue. A place as small and distant as East Timor is going to have a hard time persuading major governments to support its people's desire, simple as it is, for the right to express their views in a referendum on how they should be governed.

But President Bill Clinton will have an opportunity to say a private word to Mr. Suharto this fall, when he is scheduled to go to Indonesia for a summit meeting of the Asia-Pacific Economic Cooperation forum. He could at least make clear American disapproval of the repression in East Timor.

And the press should continue to bring the world's attention to the reality of East Timor.

The New York Times

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Asthma Remedies

PARIS — [From a letter to the editor:] With reference to your interesting article dealing with simple remedies for asthma. Strong café noir as made by the French, I have known in my own and in many cases, to ward off an attack of "wheeze," if taken immediately on the first symptoms of oppression being felt, café au lait being pernicious to the malady. I have also found a hot mustard foot bath a great relief. An Asthmatic, Florence.

1919: Paris Food Fight

PARIS — The refusal of cheesemongers to buy supplies on Monday [Aug. 11] and the attack upon a newspaper reporter led the police to take measures to keep order at the Paris Central Markets — and the prosecution was not a useless one. In the poultry market

the salesmen agreed to sell rabbits at 5fr. 50c., the wholesale price. But this was not satisfactory for the self-constituted regulators of prices. The proceedings did not all pass off quietly. There was struggling, and fruit and vegetables were used as missiles. In the rue du Pont-Neuf yamots and melons strewed the ground.

1944: Riviera Is Hit Hard

SUPREME HEADQUARTERS Allied Expeditionary Force — [From our New York edition:] Nearly 1,000 American heavy bombers operating from Italian bases today [Aug. 12] gave point to the words of Prime Minister Churchill, author of the term, "underbelly of Europe." Momentous holes were blown in a 120-mile strip of German coastal fortifications along the French Riviera and the Italian Riviera as Churchill toured Allied war bases in Italy.

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Directeur de la Publication: Richard D. Simmons
Directeur Adjoint de la Publication: Katharine P. Darnice
International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.
Tel.: (1) 46.37.93.00. Fax: (1) 46.37.16.51. Adv.: 46.37.52.12. Internet: IHT@eurcom.net
Editor for Asia: Michael Richardson, 5 Cantonment Rd., Singapore 0511. Tel: (65) 472-7768. Fax: (65) 274-2334
Shin, Dr. Ann, Ref D. Knapford, 50 Cantonment Rd., Hong Kong. Tel: 852-9222-1188. Fax: 852-9222-1190
Gen. Mgr. Germany: T. Schiller, Finkenstr. 15, 10223 Frankfurt/AM. Tel: (49) 72 67 55. Fax: (49) 72 73 10
Post-Ed.: Michael Gorman, 180 Third Ave., New York, N.Y. 10022. Tel: (212) 752-3800. Fax: (212) 755-8055
U.K. Advertising Office: 65 Long Acre, London WC2E. Tel: (44) 1834-4802. Fax: (44) 2140-2254
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U.S. Encouraged By Korean Talks

North Delays Joint Report On Nuclear Discussions

Compiled by Our Staff From Dispatches
WASHINGTON — U.S. and North Korean negotiators made some progress in resolving their nuclear dispute in talks in Geneva and will meet again in September, Secretary of State Warren M. Christopher said Friday.

[North Korea called in the American delegation for fresh negotiations in a last-minute hitch to the two sides signing a joint statement, U.S. officials said Friday evening. Reuters reported from Geneva.]

"We had the approval to go ahead," a U.S. official said. "Apparently, they did not. Apparently, their capital wants to talk about it more. It might be a negotiating tactic. We hoped there would be a signing ceremony."

"The parties have been seriously engaged," Mr. Christopher said. "They've had constructive talks." He said progress had been made on some issues.

Robert L. Gallucci, assistant secretary of state and the chief U.S. delegate to the talks, said the session would be adjourned Friday with or without a joint declaration.

"We and the North Koreans are working on trying to capture the areas of agreement that we have reached so far in a written statement, and if we cannot, then we will be adjourning this session without it," he said.

U.S. officials refused to give details of any agreement, but a North Korean diplomat said the text dealt with providing North Korea with new light-water reactor technology in return for freezing its existing nuclear program.

Pyeongyang is also being offered "normal relations" with Washington as part of the deal, he added.

Other reports said the agreement included an understanding that North Korea would not reprocess 8,000 spent uranium fuel rods, extracted from a reactor at Yongbyon, and would not refine the reactor.

The talks, which were interrupted after just one day on July 8 by the death of President Kim Il Sung, started up again on Aug. 5. They have been followed closely in the West and Asia as indicating the future direction of foreign policy under Mr. Kim's son and apparent successor, Kim Jong Il.

Washington has been trying to negotiate a deal under which North Korea, accused of diverting nuclear weapons material from its power program, switches from graphite reactors to light-water technology, which produces less bomb-making plutonium.

The North Korean diplomat would not say whether the agreement dealt with the fuel rods. Under a compromise being discussed, a team of international experts would visit North Korea soon to examine the rods and see whether a proposal to bury them in concrete was feasible.

"The expert-level meetings concluded the issue of making provision of a light-water reactor, establishing normal relations" between North Korea and the United States, and other issues, in return for "freezing nuclear activities" of North Korea, the diplomat said.

Mr. Gallucci said the United States was "prepared to move to more normal relations," provided we can do so in the context of resolving the nuclear issue.

He added that the United States "would be prepared to address" North Korea's desire for assistance in the light-water area of nuclear technology "in order that they abandon the graphite technology." (AFP, Reuters)

Argentines Are Warned Of More Terrorist Attacks

BUENOS AIRES — Argentina ordered emergency rooms at Buenos Aires hospitals on a high state of alert Friday after being warned of the danger of a new terrorist.

Israel and other nations warned Argentina to expect a new terrorist attack after the blast that killed nearly 100 people last month, the government said.

"The information was obtained and confirmed by national and international intelligence organizations of the utmost reliability," a statement from President Carlos Saul Menem's office said. "The concrete threat is not limited to Argentine territory and terrorist action could extend to some neighboring countries."

It did not name the other states that provided the information or indicate who may carry out the attack, saying only that "international terrorism" was preparing the attack. A truck bomb on July 18 razed the offices of Argentina's two main Jewish organizations, killing nearly 100 people.

A judge investigating the attack has issued international arrest warrants for four Iranian diplomats. But on Friday, with the credibility of their sole witness eroding, the government and judiciary moved to distance themselves from the allegations of a link to Iran.

The identity and credentials of Manuehr Motamer, previously described as a former Iranian official, have been disputed by Iran.

Senate Tries to Lift Bosnia Arms Ban

By Daniel Williams
Washington Post Service

WASHINGTON — The Senate has passed two measures designed to put pressure on President Bill Clinton to let the Muslim-led government of Bosnia obtain arms if Serbian insurgents continue to reject a peace plan.

The measures were somewhat contradictory. One, sponsored by the Senate Armed Services Committee chairman, Senator Sam Nunn of Georgia, was closer to Mr. Clinton's position than the proposal backed by the minority leader, Bob Dole of Kansas.

The measures had influenced the White House even before the balloting. Anticipating the votes, and in line with Mr. Nunn's measure, Mr. Clinton pledged to ask the United Nations to exempt the Muslims from a regional arms ban by the end of October if the Serbs still opposed the peace plan. He

made the pledge in a letter to Mr. Nunn on Monday.

In the letter, Mr. Clinton promised that if the United Nations Security Council refused to lift the embargo, he would consult with Congress on a unilateral lifting by the United States.

Mr. Nunn's proposal went further than Mr. Clinton's by setting a second deadline. Under the measure, passed by a vote of 56 to 44, a Security Council rejection would bring an American withdrawal from enforcement of the ban by Nov. 15, when the Senate would cut off funds for U.S. enforcement of the embargo. The United States, through the North Atlantic Treaty Organization, helps block arms shipments at sea and on land.

The second measure on Thursday, proposed by Mr. Dole and Senator Joseph I. Lieberman, Democrat of Connecticut, and passed by 58 to 42,

took a more direct approach. It would commit the United States to lifting the arms embargo on its own by Nov. 15. It makes no provision for intermediate steps.

Mr. Clinton has long favored lifting the arms embargo for the Bosnian Muslims, but has never gone to the United Nations to obtain a resolution to that effect.

An administration official made clear that the president opposed both the Nunn and Dole deadlines. "To impose a date certain on lifting the embargo is not necessarily the best course of action," said the official. "But it's also important we send a very strong signal to the Bosnian Serbs."

As for Mr. Dole's amendment, the official said only that the administration preferred to act in concert with other countries.

UN Warns on Lifting Ban
The United Nations said Fri-

day that it would be difficult for its peacekeepers to remain in Bosnia if the arms embargo on the Muslim-led government were lifted. Reuters reported from Sarajevo.

In Zagreb, a UN spokesman, Michael Williams, said, "If the U.S. goes ahead, it is difficult to see circumstances in which the UN peacekeepers could remain."

The United Nations, meanwhile, reported that Serbs had removed a heavy weapon from a UN compound from under the noses of Ukrainian guards.

Firing their rifles in the air and blocking the UN soldiers with mines, the Serbs removed a 105mm artillery gun and replaced it with a 76mm weapon, which later disappeared as well, said Major Rob Annink, a UN spokesman.

The removal of five heavy weapons by the Serbs last week was countered by a NATO air strike.



LUNCHTIME — Migrant workers in Beijing clamoring for lunch at a city bus that has been turned into a mobile kitchen. Beijing and other cities are teeming with workers hoping to capitalize on the building boom in China.

Nigerian Union Warns Of Violent Reactions

Agence France-Press

LAGOS — Nigeria's oil union warned Friday that it would wreck petroleum installations if the ruling junta banned it after more than a month of a crippling strike to press its political demands.

"We will hit back if they try anything in that direction. It will be the worst the nation has ever seen," a union official said in an interview. "What we mean exactly in our Wednesday press statement by 'violent reactions' is the destruction of oil installations."

The National Union of Petroleum and Natural Gas Workers and its staff association, Pengassan, began their strike July 4 to pressure the military government to step down.

"We got the information from impeccable sources in Abuja that the government was planning to proscribe the union," said the official, who asked not to be named. "We are only telling them the grave con-

sequences of such a step."

Abuja is Nigeria's capital. The labor and productivity minister, Samuel Ogburnia, denied in talks Thursday with oil workers that the junta was planning any such measure, but his comments later to reporters gave a different impression.

"Proscription is a remedy," he told the union officials. "It can only be applied if there is an ailment. For now, there is no ailment, so we can first and foremost try to resolve the matter through dialogue."

The unions want the junta to free Moshod K.O. Abiola, the opposition leader, who is believed to have won the presidential elections last year that were annulled by the military, and to install him as the head of state.

Chief Abiola is on trial accused of treason after declaring himself president in June. His arrest has led to bloody protests. The police opened fire last week on demonstrators in Lagos, killing at least three people.

RWANDA: Another Huge Exodus

Continued from Page 1

humanitarian zone — it stretches about 160 kilometers (100 miles) from Rubengera south to the Burundi border and 65 kilometers miles east from Lake Kivu — which would go far toward persuading people that they did not need to flee.

But the commander of UN forces, Major General Romeo Dallaire, said there was as yet no official agreement. He said that the new minister of defense, General Paul Kagame, had told him that he did not intend to send troops into the zone at the moment. "But I don't know if that will last for 24 hours or for four years," General Dallaire said.

Efforts to persuade people to stay in the zone are being countered by partisans of the former government who are "forcing people to leave," said Celestin Semanza, the acting mayor of Mahanza, the district where Rubengera is, introduced Colonel Sartre, and translated his remarks from French into Kinyarwanda for the benefit of peasants. In "secret meetings," the agents of the former government are telling the villagers that when the French leave, Patriotic Front soldiers will move in and massacre them, Mr. Semanza said.

It is a message that is easily believed. There is a generalized fear of the Front from the days of the war, when the Hutu government bombarded the people with horror stories about the Tutsi organization.

And there is also a generalized fear that the Front will

exact revenge for the massacres of Tutsi by Hutu government militia and soldiers in April and May. Some of the worst massacres were in this region. More than 3,000 Tutsi were slaughtered in the Roman Catholic church in Kibuye, where they had sought sanctuary, and the next day, 7,000 Tutsi who had gathered in the soccer stadium were eliminated with grenades and machetes.

Most of those who were responsible for the massacres have already fled to Zaire, men who have remained fear that they will be accused unjustly by the front and executed.

Boat Stranded in Lake Kivu

A Zairian boat carrying about 20 people was hit by machine-gun fire Thursday and sank in Lake Kivu off the Rwandan border town of Kibuye, a French army officer said Friday. Reuters reported from Gombe.

All people on board were presumed dead, said Colonel Alain Rambeau, spokesman for the French humanitarian operation in southwestern Rwanda.

No French troops witnessed the incident, but he said the report was based on reliable witness accounts. Colonel Rambeau said it had taken place at the edge of Rwandan territorial waters but outside the French-protected "safe zone."

It was not clear who was on board the boat. Coffee smugglers regularly cross Lake Kivu from Rwanda to Zaire and refugees have also fled by boat.

Magic Johnson Is Accused In Sexual Harassment Suit

LOS ANGELES — A former employee has sued a Los Angeles health club, saying that she was fired after rejecting sexual advances from basketball legend Earvin (Magic) Johnson, a television station reporter Friday.

Los Angeles television KTLA said the employee, Regina Nichols, alleges in her Superior Court civil lawsuit that Mr. Johnson sexually harassed her sometime between 1988 and 1992 and that Sports Club L.A. condoned his actions.

Mr. Johnson was a spokesman for the club. It was not immediately clear whether he still represents Sports Club L.A. He retired from basketball in November 1991, explaining that he was infected with HIV, the virus that causes AIDS.

He said at a news conference at the time that he had had sexual relations with numerous women and did not know from whom he had caught the virus.

Mr. Johnson's attorney, Howard Weitzman, confirmed the lawsuit but termed it "stupid."

Mexico's Top Party Facing Biggest Test

By Tim Golden
New York Times Service

MEXICO CITY — As the Institutional Revolutionary Party heads toward what may be the toughest election in its 65 years in power, it is mired in what many of its leaders consider its most profound internal crisis.

Radical economic changes by the government of President Carlos Salinas de Gortari have grated on the party's traditional support among labor unions and peasants.

Ambitious efforts to build a new base of individual members rather than organizations have produced more conflict than success. In a society pressing ever more vigorously for democratic change, the party continues to depend heavily on authoritarian controls.

Yet for all the conflict that the party has endured in a year that has included the assassination of its first presidential candidate and a brutal fight over his replacement, the bulking machine known as the PRI has patched itself together and rolled forward once again.

It has raised tens of millions of pesos, enlisted hundreds of thousands of organizers and dominated every advertising medium from prime-time television to whitewashed walls.

According to a growing number of political analysts and national opinion polls, it also appears increasingly likely that the party will do again on Aug. 21 what it has done throughout its history — win.

This party is like a floating log," one of its senior officials said, trying to explain how embittered older leaders of the PRI could have united around Ernesto Zedillo Ponce de Leon, the 42-year-old economist whose candidacy many of them

tried to block after the assassination of Luis Donaldo Colosio on March 23. "You either grab on or you sink."

The mere prospect that the PRI could win a plurality of the vote is a testament to the extraordinary ability of the world's longest-ruling political party to put aside its differences in the quest to retain power.

At the same time, many analysts believe, the party's ability to survive by modernizing its vote-getting apparatus and adopting minimally to a changing political system while resisting more fundamental reform suggests darkly for the country's transition to full democracy.

"The party as it exists is undoubtedly in a terminal crisis, and it has been held together only by the authority of the president," said Luis Javier Garrido, a longtime observer of the PRI who teaches at the National Autonomous University of Mexico.

"The problem ahead is that it does not know how it can make the transition from a party of the state to one more part of the system of parties that is coming into being."

In a speech last week Mr. Zedillo answered the rising demand for party democracy by pledging that, if elected, he would give up the control that all of his predecessors have exercised over the party's internal affairs and choice of candidates.

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LABOR: China's Unions Try to Locate a Niche in Free-Market Society

Continued from Page 1

es. "In the meantime we are searching for new ventures to employ excess workers."

Mr. Zhu needs to move quickly. Shanghai's large, unprofitable state enterprise sector is accelerating efforts to pare the workforce and shed welfare responsibilities in a bid to stave off bankruptcy, a nationwide trend.

The official People's Daily said Wednesday that 31.5 percent of Shanghai's state companies were unprofitable and that some would go bankrupt if they were not merged with profitable companies.

Either option means job losses and a direct challenge to social stability that the government expects the unions to help safeguard.

"We're doing a lot of propaganda about the necessity of the market economy and the need to crack the iron rice bowl," said Mr. Zhu, referring to the cradle-to-grave welfare system funded directly by state enterprises.

"We think it's normal that some people will lose jobs in the transition," he said. "The key task is to look after these people."

Failure to do so has fanned the militancy of workers as job losses, high inflation, the trimming of welfare benefits and onerous, unregulated working conditions squeeze them.

Thanks to market-oriented reforms, workers can now decide where to work and live instead of being directed by their work units. Peasants and workers are also more vocal about injustices and corruption.

Hundreds of strikes this year, only a few of them officially sanctioned, primarily in the industrial northeast and the ex-

port-oriented south, indicate that workers have a greater say in their workplaces.

While the official All-China Federation of Trade Unions has no legal rival, hundreds of wildcat unions are estimated to have sprung up in step with an expanding private sector where the number of employees may soon reach 40 million.

At the same time, according to the official China Daily, only 17 percent of overseas-funded joint ventures and wholly owned subsidiaries have allowed official union branches on their sites.

"We're concerned about introducing an intermediary and what that will mean to our business," said a spokesman for 3M Co., cited in an interview by Shanghai union officials as having resisted their efforts to represent workers.

"We don't know exactly what the term 'union' is going to mean in China, what their role will be," said the 3M executive, adding that 90 percent of the company's operations worldwide did not have a union presence.

China's first national labor law, to be enacted next July 1, will establish minimum wages and worker protection while requiring foreign-funded enterprises to allow the official unions on site.

"In general people hope this will be a regulation observed in the breach," said Mr. Kamm, who attributed the union's current weakness in foreign funded workplaces to China's priorities on foreign investment.

Apart from concern over wage pressures and the role of union officials in fomenting difficulties that only they can solve, some foreign managers oppose unions' attempt to play a greater part in enterprise decisions, as sought by the federation.

OPERA: In the Latest Upheaval in Paris, Music Director Is Dismissed

Continued from Page 1

statute, and to maintain his salary level," the statement said.

The dispute bears more than a superficial resemblance to the clash that led to the dismissal of Daniel Barenboim as artistic director of the Bastille in January 1989 by Pierre Bergé. Mr. Barenboim had been named in 1987 by a rightist government on its way out, and Mr. Bergé was named by the subsequent Socialist government to a newly created post of president of the Opéra. Mr. Bergé attacked the "intolerable" size of Mr. Barenboim's salary and conducting fees, but the real issue appeared to be artistic policy and control.

It was Mr. Bergé who named Mr. Chung as music director and who recently extended his contract to 2000, with increases in salary and conducting fees that would have risen substantially above the present annual guarantee of about 3.5 million francs. When the right returned to power last year, Mr. Bergé, a friend and political supporter of France's Socialist president, François

Mitterrand, was out, and Mr. Gall was in under a revised structure that makes him the sole director and undisputed artistic decision maker.

The big difference between Mr. Bergé, the flamboyant head of the Yves Saint Laurent fashion company, and Mr. Gall is that the latter is an experienced opera house director. He was the right-hand man to Mr. Liebermann during the 1970s, and since 1980 he has been the successful director of the Grand Théâtre in Geneva.

The latest reorganization of the Paris Opéra, aimed at concentrating artistic and financial control and ending the confusion that characterized the Bergé regime, is based on a study made for the culture minister, Jacques Toubon, last year by Mr. Gall. Although Mr. Gall is still only director designate, he is clearly involved in management decisions and is the key to the present situation.

The management reportedly wanted Mr. Chung to roll back the termination date of his contract from 2000 to 1997, and

to hold his salary and fees to their present levels.

In an interview with Le Monde, however, Mr. Chung complained less of that than of artistic matters. He said that his wishes had been ignored with regard to conducting assignments and that since February of this year, "no point in the artistic area of my contract has been respected."

Mr. Chung has won praise for rebuilding the Opéra's orchestra from its catastrophic condition in the late 1980s and for the musical quality of the productions he has conducted. But few other conductors of high stature have appeared at the Bastille in the last five years.

Mr. Chung told Le Monde that he had "personally solicited" such leading conductors as Sir Georg Solti, Christoph von Dohnanyi, and Pierre Boulez to appear at the Bastille, but that they had been reserved in their responses without actually refusing. He attributed this to apprehensions over artistic and material conditions in the house.

ISLAM: Muslims Join Vatican's Stand on Population

Continued from Page 1

cation of girls, women's health and the lowering of infant mortality.

That message, however, has been a tough sell at the Vatican and is encountering difficulties now in the Islamic hierarchy.

The population statement was issued by the Islamic Studies Center at Al Azhar, a 1,000-year-old center of Islamic learning whose views carry significant moral authority

among Muslim-led countries.

"The ambiguous expressions, abstract terms and innovative jargon that abound in it suggest that it aims to adopt the opposite of the basic precepts which Islam has laid down," said the statement.

"It aims to defend sexual relations which arise between members of the same sex or between different sexes outside legal marriage, which destroys the values to which all revealed religions aspire."

The statement followed news reports this month in which a senior official in Iran's Muslim-led government was quoted as having said that collaboration with the Vatican had his country's "full endorsement."

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ART

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In Japanese Prints, a Cultural Battle

LONDON — Art can say more about cultural upheavals than volumes of essays. The titanic struggle in which Japan found itself engaged to retain its identity as it came under Western influence in this century is illustrated in a fascinating show of graphics on view at the British Museum until Aug. 21.

"Modern Japanese Prints 1912-1989" is a selection of 140 woodblocks and

SOURIN MELIKIAN

stencils, all, with the exception of seven works, bought since 1980 by the museum. The accompanying book by Lawrence Smith, in which information unavailable in Western languages is given about the artists, is even more interesting than the exhibition. Together, they provide a pageant as bewildering as a Japanese cityscape with skyscrapers and traditional style houses side by side.

At the time of World War I, the ukiyo-e school of printmaking, born in the 18th century of an early wave of Western influence with such highlights as Sharaku, Hiroshige and Hokusai, was coming to an end.

It had its last flashes of creative genius. Hanjiro Sakamoto's "The Chikugo River," dating from 1918, holds out a promise of totally modern, yet traditional, landscape composition that could have led to a new age but did not. Infinitely poetic in its evocation of rain over a misty river, it is so concise as to border on abstraction.

Shinsui Ito (1898-1972) might have been the Hokusai of modern times. He produced some gems of invention such as "Awami" of 1917, with its layered composition and the vertical rhythm created by a line of trees oscillating right and left. But instead, he drowned in the morass of facile picture postcard-style landscapes.

Hasui Kawase, who loved Western style illustration, perspective for landscapes and urban scenes ("Rain at Uchi-Yamashita") made the final jump into decorative kitsch. It lingered until 1940 when Hiroshi Yoshida brought the view of a Japanese resort with a wooden bridge crossing a mountain river as close to a Swiss landscape in the Jura as is humanly feasible. Short-lived attempts at reviving the Sharaku-style actor portraits by Natori, Yoshikawa and others ended in horrendous vulgarity. The old school had run out of steam.

AT that point frantic experimentation broke out. Koshio Onchi left no stone unturned. In 1936, he drew a figure in the manner of De Chirico flanked by oodles of planks of Cubist inspiration, "Mannequin in the Studio." The year after, Onchi was trying his hand at seashell subjects, handled in a manner that retains whiffs of Yves Tanguy and Sal-



A small masterpiece: Detail of "Tree at Dawn" by Joichi Hoshi (1976).

vador Dali, minus volume and perspective.

He also dabbled in portraiture, seeking a compromise between East and West. When doing the likeness of his friend the poet Hagiwara Sakurako in 1943, he borrowed the layout from Sharaku and handled the head in a realistic Western style, trying to give it a dramatic expression. The outcome is a hideous spoof.

Pastiches were turned out by the dozen. Toshiro Maeda's "Round Moon Island at Shirahama" looks like a French poster for a car of the 1930s. Yasunori Taniaka's "Okabawata" betrays a vivid awareness of the *manière noire* woodcuts of the 1920s favored by book illustrators.

It was left to Shiko Munakata (1903-

1975), Japan's most admired modernist painter, to break out of derivative art. In the 1930s he started to handle Buddhist themes in thick black zigzag lines in which the figural, submerged in quasi-abstract design, loses its importance. Over a period of time he developed a unique and splendid style. The figural, confined to a single element in the composition, simply appears as a key to the whole design.

"Kanya," done in 1964, is supposed to be a view on the Tokaido Road in a throwback to Hiroshige's famous "Fifty Three Postings Stations on the Tokaido," printed in the 1830s. Only the truncated pyramidal outline intended as a mountain at the top warns that this is a natural sight. The landscape otherwise looks like a cascade of dark splinters.

The color, added by hand, differs from one print to the next. In the British Museum one, it is red, blue and green, creating a colored grid that further dilutes the landscape into splendid abstraction.

In 1967, he carried the idea one step further away from figuration. "Stars of the Whole Sky" shows, we are told, the sky above buildings in the old Shinto style, as an illustration to a poem by Sadaaki Kuraku. But aside from an irregular flattened triangular motif suggestive of a Far Eastern roof over what could be the outline of a house, there is not much to back up the assertion. The "Katakana" characters of the poem come down like a shower of dagger blades over drapes of blue, green and red coloring above that "roof."

Japan was finding a new assurance in the 1960s. Artists were now able to recast in totally original form ideas emanating from the West. "Grapes and Melons" by Toru Mabuchi goes back to Cubist still lifes by Georges Braque. The balance of complementary colors, the daintiness of the surface treatment, the texture appearance of the detail, belong in a different world.

AT wide intervals, the Japanese graphic genius would break out into a small masterpiece. "Tree at Dawn," by Joichi Hoshi done in 1976, is one of those. A single trunk rises out of nowhere with its leafless branches standing out against a haze like that of a snow blizzard coming in from a distance.

The background color veers from pearl gray lower down to a dense hue slightly tinged with purple behind the round mass of spindly twigs.

Hoshi was rediscovering figuration, after a long journey through virtual abstractionism. Too late. The artist died in 1979.

The next generation of Japanese printmakers started afresh, turning to New York for inspiration — never really copying but never tearing away from their obvious sources either. Kunihiko Amano, born in 1929, must have looked at Mark Rothko a lot before conceiving "Enclosure." As recently as 1985 Akira Matsumoto's "Revolve" (W5 - Negative/Positive) produced a composition of a myriad colored beads, yellow, red and purple, in the midst of colored bars reminiscent of the Op Art of the 1960s.

Fumio Kitaoka argues somewhere that he likes "prints because when they are made the Japanese way, with barren and handmade paper, they are a very Japanese art." Neither the New York school by-products nor his own landscapes in Western realistic style make the case. Technique is no substitute for an artistic vision.

A few wonderful pieces notwithstanding, the self-proclaimed heirs of ukiyo-e are still groping in the dark.

Medieval Modernism

Tuscany Town Gives Five Sculptors a Free Hand

By Roderick Conway Morris
International Herald Tribune

SAN GIMIGNANO, Italy — "This place is miserably poor," observed a turn-of-the-century English traveler, a situation radically reversed in our times by the revival of the local Vernaccia white wine and a thriving tourist industry, thanks to the state of preservation of this Tuscan hilltop town's cluster of soaring medieval towers that can be seen from miles away.

Though making a comfortable living from its past, San Gimignano has now launched itself into the unknown with "Affinités," a project offering five modern sculptors carte blanche to choose a site anywhere in the town and install a new work there permanently.

San Gimignano was for centuries politically closer to Florence than Siena, but artistically, as its frescoes still bear witness, it was Siena that held sway. So, appropriately enough, it is the Siennese bank Monte dei Paschi that has financed the operation.

"The bank commissioned its first work, a fresco of the Madonna, in 1481," said Donatella Capresi, the curator of the Monte dei Paschi's art collection.

To select the artists, the bank called in the art historian and critic Giuliano Briganti, a well-known expert on Mannerism, but who later in his career took an intense interest in contemporary art. The five artists chosen — Luciano Fabro, Jannis Kounellis, Eliseo Mattiacci, Nunzio and Giulio Paolini — were given a free hand in the location and type of work executed. The resulting works nearly all show that their modernist makers did indeed go in search of affinities with the past, and approached San Gimignano's existing charms with respect. All but one of them chose sites in out-of-the-way corners.

The youngest of the artists, the 40-year-old Nunzio (all the others are in their 50s), usually works in stark materials, such as stone, burnt wood and base metals, but in San Gimignano, he found Vico del Bongi, a high, narrow, medieval vaulted passageway off the main street, and lined a series of its arches with metal laminated with gold.

Kounellis, Greek by birth but long settled in Italy, responded to the challenge by building an arresting work in the bushes, almost forgotten courtyard in front of the 11th-century San Jacopo church just within the city walls. The ring of the bell atop his tall, deceptively simple tower is firmly anchored to the ground by a sloping girder. As Kounellis comments: "This work resembles a bell tower, with the difference that it has a be-witched bell that cannot move, and can be seen not to be able to move." The tower echoes the style of the belfry of the church, but is placed so as not to interfere with the view of it. But in the afternoon it casts on its facade a mysterious silhouette in the shape of a roadside calvary, a nice paradox of the present casting its shade upon the past.

Paolini, meanwhile, has filled a space left blank by a long-gone sundial on the side of the Sant'Agostino church, with an engaging



Jannis Kounellis and his tower.

replacement in fresco in which the design of intertwined planetary trajectories is heightened by the shadows of lines scored into the wet plaster, and the traditional gnomon takes the form of an elegant bronze pencil, projecting like an arrow from a target.

Mattiacci, on the other hand, has ascended the Rocca, the remains of the ancient fortress at the summit of the town, which commands a wonderful view of the rolling, cypress-dotted Tuscan countryside. At the end of a buttress that runs out into the void, Mattiacci has fixed a long girder, balanced on a great steel ball.

This is potentially the most intrusively placed installation in terms of the town's historic ambience. Yet the piece's harsh military undertones, its suggestions of war and peace, and the sheer bravado of its unexpected, almost alarming precariousness, make it striking and thought-provoking.

The final work, by Fabro, a flat, red steel piece composed of superimposed, fragmented outline maps of Italy, attached to a bar projecting over a sloping street just off Piazza Duomo, seems the least related to its setting, or to San Gimignano as a whole, though its resemblance from a distance to a ragged banner or inn sign save it from being utterly out of place. All in all, the San Gimignano experiment is a considerable success, and an unusual, but fitting, monument to Briganti, who died before he could see it completed.

A map showing the location of the sculptures is available at the town's information office; there is also an exhibition on the project until Sept. 30 at the Palazzo Comunale (both on Piazza Duomo).

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Rouen Reunites 17 Monet 'Cathedrals'

By Ginger Danto

ROUEN, France — Standing before Notre Dame de Rouen, like a detective studying an unsolved mystery, Claude Monet told himself a century ago "I will get to the bottom of this cathedral, but it will take a lot of time." The artist's investigation, in the two winters of 1892-94, yielded 30 paintings chronicling the shifting light of day on the Gothic monument.

Despite the efforts of critics to convince the state to purchase the soon-celebrated "Cathedral" series as a single oeuvre, Monet sold them piecemeal. One, however, remained in Rouen, thanks to a local industrialist, François Depeaux, a patron of the Impressionists whose collection was donated in 1909 to the city's Musée des Beaux-Arts. The museum touted its version as the most "Rouennais" for the monochrome hues evocative of Normandy's overcast skies.

To mark the centennial of the series, and the restoration of the museum, it has reunited 17 "cathedrals." "Rouen, the Cathedrals of Monet," through November, is as historically significant as it is breathtaking. Not since 1895, when Monet's dealer, Durand-Ruel, presented 20 "cathedrals" in his Paris gallery, have more than a

handful been seen together. After getting the Musée d'Orsay to lend five, the Rouen curators prevailed on other contributors. The resulting ensemble enables visitors to approximate Monet's own vision of his "cathedrals" as being as distinct from one another as portraits of different monuments. What made each unique were the effects of time and weather, assiduously recorded by Monet's masterful palette.

"He was no longer a painter, really, but a hunter," observed Guy de Maupassant, who accompanied Monet on some of his painting expeditions. Monet approached his subject stealthily, evidenced by sketchbook studies as well as two paintings from 1892: a panorama of the city anchored by the cathedral's spindly silhouette, and a view of row houses with the cathedral looming beyond the quarter. By the time he painted these scenes, Monet was intimately acquainted with his subject, having spent his childhood in Normandy and as early as 1872 made cityscapes with the cathedral reflected in the Seine.

The play of light and shadow interested Monet far more than the building, which he entered only once. "Everything changes, however, in stone," he wrote his companion, Alice Hoschedé, conveying his drive to capture such changes in "series." From a dozen views of Gare Saint-Lazare

in Paris to his famous haystack series, Monet used both rural and urban motifs to interpret the ambient effect of nature.

The cathedrals, however, haunted Monet, who wrote to Hoschedé, "I spent the night having nightmares. The cathedral was falling on top of me, it seemed blue or pink or yellow." All are here, tiled by hour, angle, and atmospheric condition.

Repatriating the "cathedrals" is in keeping with Rouen's ambitious artistic legacy. The municipal conscience to preserve art requisitioned from convents and churches since the 1700s earned Rouen one of France's first 15 provincial museums in 1801. It opened in the former Abbey of Saint-Ouen. But with names like Ferrigno and Poussin in the collection, the museum moved by 1877 to its stately 19th-century building. Today, paintings, drawings, sculptures and objets d'art display in 64 galleries the eclectic artistic tendencies of the 16th through 20th centuries.

Mostly now, after decades of upkeep by ancient dusting and soldering bits of frail infrastructure, an interior renovation has filled the building with the air and light incumbent on a setting for 17 cathedrals.

Ginger Danto is a free-lance journalist based in Paris who specializes in the arts.

BOOKS

PLAYLAND

By John Gregory Dunne. 494 pages. \$25. Random House.

Reviewed by Mark Horowitz

CORRUPTION in all its forms, political, spiritual and physical, is John Gregory Dunne's favorite subject. He especially favors physical corruption: clogged arteries, penitence, strokes, testicular cancer, uric poisoning, a "cerebral incident" — and that's just in his latest novel. Dunne loves the morbid and tawdry. When a trip to Las Vegas coincided with a nervous breakdown, he

wrote a book about it called "Vegas," and after undergoing heart surgery he memorialized the event in a grim, funny memoir called "Harp."

Dunne has made a thorough study of gas chambers and electric chairs. Corpses appear with unusual frequency in his work, and not just fresh ones. He happens to be one of my favorite writers.

"Playland" is Dunne's 10th book, his fifth novel. The subject is Hollywood, something Dunne is perfectly equipped to write about, having moved there 30 years ago to support his literary habit of writing screenplays. He recently relocated to Manhattan's Upper

East Side to enjoy a well-deserved second act.

There are three overlapping stories in "Playland," each wrapped around the other, with three main characters, and three distinct time periods. The first story is a fictionalized biography of Bugsy Siegel, the Jewish gangster who invented Las Vegas. Called Jacob King here, he's a handsome killer sent to Hollywood by the New York mob to watch over their West Coast investments. The ruthless gangster falls in among real sharks, Hollywood movie executives, and they eat him alive.

The second story concerns Blue Tyler, a child star in the 1930s, Jacob King's mistress in the 1940s, a victim of the blacklist in the 1950s, and, after that, she disappears. When King met her, she was a dangerously perverse combination of Jean Harlow and Shirley Temple, forced by the studio to impersonate the prepubescent sweetie she no longer was. Jake builds his gambling casino in the Nevada desert, a temple of dreams called

King's Playland, and Blue Tyler plays his muse.

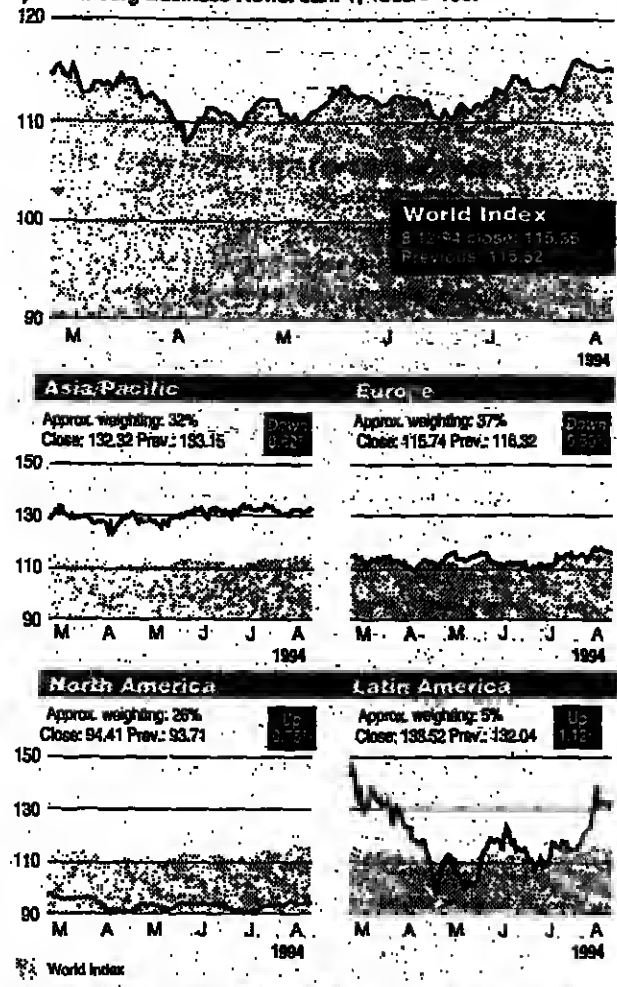
The contemporary story of Jack Broderick, the ne'er-do-well rich man's son who narrates Dunne's last novel, "The Red White and Blue," provides the third piece of Dunne's puzzle. Broderick is slumming as a Hollywood screenwriter, a foolish and self-destructive impulse, especially if you don't need the money. When Broderick accidentally rediscovers the missing Blue Tyler, now a broken-down alcoholic living anonymously in a trailer park outside Detroit, the three narratives begin to intertwine.

"Playland" is Dunne's version of "The Great Gatsby," only this time the hero gets shotgunning to death in Vegas and Daisy's a nympho. Dunne is an acquired taste. He can be sour and mean-spirited, but he's smart and funny and his prose is always elegant and precise.

Mark Horowitz, who writes a political column for *Buzz* magazine in Los Angeles, wrote this for *The Washington Post*.



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Industry Sector	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Energy	113.49	112.83	+0.58							
Utilities	126.29	126.34	-0.04							
Finance	117.36	118.05	-0.58							
Services	120.43	120.76	-0.27							
Capital Goods	117.05	117.63	-0.49							
Raw Materials	131.48	131.72	-0.18							
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'Raw Panic' Sinks Lira in Wake of Rate Rise

Compiled by Our Staff From Dispatches

MILAN — The lira tumbled again Friday to a new record low against the Deutsche mark while the battered Italian bond and share markets slumped in a desperate search for support.

The declines occurred a day after the Bank of Italy raised interest rates in an unsuccessful bid to sustain the currency.

"It is raw panic, it is brutally ugly, and it is going lower," said Greg Walsh, share trader at Banco di Napoli.

The Swedish krona also fell sharply as investors reacted negatively to the rate increase there.

Calm began to return to markets elsewhere in Europe, aided by a rally in the U.S. bond market and a percep-

tion that Italy's and Sweden's problems were unique.

The mark rose to an all-time low of 1,032.50 lira in London trading, compared with 1,022.20 on Thursday. The lira has lost 2.7 percent against the mark since the Bank of Italy raised its discount rate by one-half point to 7.5 percent Thursday.

The yield on the benchmark 10-year Italian government bond rose to 10.373 percent from 9.781 percent on Thursday.

The Milan stock market fell to its lowest level since early March, three weeks before Silvio Berlusconi's Forza Italia won national elections, with the MIB index tumbling 3.7 percent to 1,041. It was the biggest single-day loss since Aug. 19, 1991.

"To understand this you have to realize that the country, with a serious

fiscal situation and growing debt, can only survive with low interest rates and a stringent fiscal policy," said Marco Pianelli, economist at Nomura Research International.

Every percentage-point rise in discount rates is estimated to cost the state an annual 10 trillion lire (15 billion dollars) in added interest payments on debt.

The government says it wants budget deficit savings of 45 trillion lire in 1995, two-thirds of this coming from spending cuts and the rest from non-tax revenue.

"I wouldn't touch Italian paper with a barge pole," said John Philpott, associate director at GH Asset Management.

The mark also rose as high as 5.0370 Swedish krona before ending at 5.0140, up from 5.0100.

Analysts said the Swedish government had missed the point by using interest rates to tackle a problem with its roots in state borrowing.

"The Riksbank is seeing inflation ghosts that no one else can see," said Nordbanken's chief economist Olle Djerf. "The move is counterproductive and dangerous."

The mark and Swiss franc were the big beneficiaries on the day as the sale of European assets sent investors to the haven of short-term mark and franc deposits.

Investors have interpreted the moves as a sign of a turn in the European interest-rate cycle.

"There's no way you're going to see any more rate cuts across Europe now," said Marc Altman, head of European equities at Credit Lyonnais Securities. (Reuters, Bloomberg, AFP)

Italy's Industrial Giants Turn Chaos Into Profit

By James Hansen

Special to the Herald Tribune

MILAN — The turmoil in the Italian economy has had a peculiarly bracing effect on Fiat SpA, Olivetti SpA, Pirelli SpA and Montedison SpA, the country's industrial giants.

Thanks to rising exports, these companies are returning to profitability after a grim 1993 in which they collectively had the worst annual results since World War II, although it is not clear that they have the willpower to maintain the job-chopping, cost-slasher philosophies that pulled them out of the red.

Just a year ago, the Rome

daily La Repubblica somberly advised investors to put their money into agricultural property so they would at least be able to eat when the inevitable crash came. Now, thanks to a devalued lira and savage cost-cutting, leading industrial concerns are suddenly saying that break-even or better is just around the corner.

Gianfilippo Cuneo, an Italian management consultant, has a one-word explanation for this turnaround: fear.

"They were scared to death," he said. "These companies found themselves with their backs to the wall, and that forced them to finally do things

they should have done years ago, like take a hard look at costs and move their marketing effort nearer to customers."

Alberto De Macchi, a staff economist with Olivetti, agreed that "this recession, the worst in the postwar years, has been a spur to restructuring efforts." But he cautioned that cost-cutting alone was no recipe for recovery, "unless it helps gain in efficiency and efficacy as well."

Italy needs efficiency and efficacy. The economic situation is precarious. Although gross domestic product is expected to expand by 1 percent this year after a 0.7 percent

contraction in 1993, more than 1.4 million jobs have been lost in the past two years.

Domestic consumption has been dropping sharply — 2.1 percent in 1993, triple the drop in GDP — and the trend is still negative. This means companies, caught against a background of rising taxes and falling state spending, must depend on exports.

A silver lining in the deficit cloud is the weakness of the lira, which made Italy a low-cost exporter even before the currency's renewed plunge this week. Exports rose 9 percent in 1993, supercharged by the lira devaluation after Ita-

ly's withdrawal from the exchange-rate mechanism of the European Monetary System in 1992.

According to ISTAT, the Italian government statistical agency, the trade surplus nearly doubled in the first five months of 1994, to around 12 trillion lire (\$8 billion).

The first and most important beneficiary of the export boom has been Fiat, which some economists estimate accounts directly and indirectly for as much as 20 percent of Italian economy.

The automaker lost nearly 1.8 trillion lire last year, its

U.S. Clothing Industry Seeks New Import Rules

By Peter Behr

Washington Post Service

WASHINGTON — Consumers may not think twice about whether a shirt or dress label says "Made in China" or "Made in Hong Kong." But the distinction matters to William Farley, chairman of Fruit of the Loom Inc.

Mr. Farley and other cloth-

ing-industry and union officials want Congress to rewrite the "rules of origin" that help govern the amounts of clothing that can enter the United States from China and other major apparel-manufacturing centers.

The proposed law would impose a stable cut on imports from China, the leading supplier of garments to the U.S. mar-

ket. American retailers warn that clothing prices will rise if China's low-cost imports are reduced.

The House of Representatives Ways and Means Committee agreed to the changes, but a similar provision failed last week in the Senate Finance Committee on a party-line vote. The issue will be resolved by House and Senate negotiators as part of legislation changing U.S. laws to conform with a global trade agreement.

The maneuvering on clothing quotas is part of the struggle over the trade agreement, which is an expansion of the General Agreement on Tariffs and Trade.

In only a half-dozen years, China has surged to prominence in the world's apparel industry because of its labor rate of 40 cents an hour and a dynamic collaboration with state-of-the-art fabric-cutting factories in Hong Kong.

China supplies about \$7 bil-

lion of the \$40 billion in annual clothing exports to the United States. Chinese factories also do preliminary stitching on a large share of clothing imported from Hong Kong, Singapore and other Asian countries.

The goal of the U.S. apparel industry is to have those garments from Hong Kong and other Asian countries be counted against China's quota. China is already at its limit.

Beginning in the mid-1980s, a series of Customs decisions held that a garment's origin was based on where its fabric was cut. Before that, the origin was based on where a garment was sewn and assembled.

Cross-border partnerships sprang up between such leading U.S. retailers as Limited Inc. and sophisticated factories in Hong Kong employing high-speed lasers to cut fabrics for assembly in China. These garments were counted against Hong Kong's quota, not China's.

The U.S. clothing industry

saw the opportunity to change the rule back to the "sewing and assembly" standard this summer when the GATT legislation went before Congress.

Ron Sorini, Fruit of the Loom's senior vice president and a former chief textile negotiator, argued that returning to a "sewing and assembling" rule brought matters back to reality. "For our T-shirts, for example, only 2 percent of the work is cutting," he said. When China is doing 90 percent of the work, the label should read "Made in China," he said.

Hong Kong, where labor rates have risen to \$8 an hour, can no longer assemble clothing at competitive costs and thus is left with quota allotments to the United States that it cannot use.

The joint ventures between Hong Kong's cutting factories and China's assembly shops represent an end run around U.S. quotas, Mr. Sorini said, and other countries are copying the approach.

ECONOMIC SCENE

Monetary Union: Still Very Much Alive

By Erik Ipsen

International Herald Tribune

LONDON — A year ago this month, Europe's currency grid collapsed after one last tumultuous tussle between speculators and central bankers. Out went the old narrow trading bands and the need for central banks to defend them. In came bands broad enough to raise the question — why bother?

In retrospect, economists now argue that what is remarkable is how little those supposedly historic events actually changed the course of monetary policy. A year after Europe's policymakers bowed to the markets and abandoned formal attempts to keep their currencies in close alignment, they are still doing it, albeit informally.

Hung Tran, head of research at Deutsche Bank in Frankfurt, refers to it as a "mental narrow band" guiding the hands of the Continent's central bankers.

A year ago the notion that such a state of affairs would endure was simply unthinkable. Freed from the need to keep their currencies within hailing distance of the mighty Deutsche mark on world foreign exchange markets, experts agreed that central bank governors from Paris to Copenhagen would quickly slash interest rates.

Germany faced a unique set of problems arising from reunification. Its Continental partners desperately needed to get their economies moving again. The way to do it was to follow the British lead of a year earlier, the so-called cut-and-run option.

To almost everyone's surprise those cuts did not come, at least not from where they were supposed to have come. In the end it was the Bundesbank that moved first. "Everyone was still following Germany but Germany moved much faster to cut interest rates than anyone's wildest dreams," said Esther Baroudy.

'Continental central bankers have shown a willingness to adopt a single monetary policy — the Bundesbank's.'

Adrian Cunningham, London economist

senior economist with Credit Lyonnais Capital Markets in Paris.

As a result the concept of monetary union remains very much alive. "Continental central bankers have shown a willingness to adopt a single monetary policy — the Bundesbank's," said Adrian Cunningham, international economist at Union Bank of Switzerland in London.

"As a result it will advance the cause of monetary union."

The simple fact is that the Continent has emerged from its recession with its economic policies and, even more importantly, its economies, more closely in line than ever. Even the most ardent fans of monetary union still concede that a com-

mon currency is not likely to come this century. Mr. Tran calls the high government deficits and huge accumulated debts of many European governments the Achilles heel of monetary union.

The figures are daunting even for such paragons of economic virtue as Germany. Bonn's public-sector deficit this year is forecast to be slightly more than 6 percent of gross domestic product compared with the ceiling of 3 percent stipulated by the Maastricht treaty as a condition for monetary union. France's deficit is expected to total just below 6 percent of GDP this year, while Italy and the Netherlands are just below 10 percent.

To get their houses in order, Europe's governments are looking at years of fiscal tightening.

Others wonder almost exactly what they were wondering a year ago: Can Europe afford its grand vision? Keld Holm, senior international economist at Lehman Brothers in London, notes that unemployment in Europe now stands at 11 percent and shows little sign of falling. He also notes that the Organization for Economic Cooperation and Development predicts that by the year 2000 Europe will still have an unemployment rate of 10.5 percent.

He, too, expresses surprise over the life after death for the European currency grid. Unlike his counterparts on the Continent, however, Mr. Holm insists that it is unfortunate. "Everything looks rosy today but monetary policies based on a desire for low inflation might not make that much sense anymore." The costs in unemployment are simply too high.

Baby Bells Try for Part of Hollywood

By Sandra Sugawara

Washington Post Service

WASHINGTON — In the latest sign of the further melding of Hollywood and the technology industry, three regional telephone companies are discussing a joint venture with Hollywood agent Michael Ovitz to bring movies and other programming to homes, sources close to the talks said.

With its extensive Hollywood contacts, Mr. Ovitz's Creative Artists Agency is expected to help Bell Atlantic Corp., Nynex Corp. and Pacific Telesis Group Inc. obtain rights to entertainment programming. Creative Artists also is expected to act as the group's investment

banker, finding companies that the so-called Baby Bells can invest in, a source said.

Spokesmen from all four companies declined to comment. But details still need to be worked out and no final agreement has been reached, the sources said.

Both Hollywood and technology companies are seeking a way to profit from the emerging "new media" that combines digital technologies and pop culture. On Monday, Walt Disney Co. announced it was forming a venture with the regional telephone companies Ameritech Inc., BellSouth Corp. and Southwestern Bell Corp.

Advances in digital technol-

ogy and the construction of more sophisticated telephone networks are enabling the Baby Bells to expand far beyond their heavily regulated traditional businesses. They are rushing to deliver entertainment and other services to the home.

The phone companies say that if they do not offer entertainment, then cable companies, which plan to offer telephone services, will steal their best customers.

But one of the major stumbling blocks for telephone companies has been obtaining rights to movies and other programming.

In recent months executives from a number of phone com-

panies have been talking directly to various people in Hollywood about possible deals, sources said.

Cable TV-Phone Measure

The Senate Commerce Committee overwhelmingly approved a bill Thursday that would allow local telephone and cable television companies to enter each other's businesses. The New York Times reported from Washington.

If enacted, it also would gradually free the seven Baby Bell companies to offer long-distance service.

After weeks of negotiations, the committee approved the measure by a vote of 18-2.

CURRENCY & INTEREST RATES

Gross Rates									
	1994	1993	1992	1991	1990	1989	1988	1987	1986
Australia	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Canada	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
France	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Germany	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Italy	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Japan	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Netherlands	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Portugal	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Spain	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Sweden	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
Switzerland	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
UK	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345
US	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345	1.345

Eurocurrency Deposits									
	1994	1993	1992	1991	1990	1989	1988	1987	1986
1 month	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3 months	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
6 months	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
1 year	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Key Money Rates									
	1994	1993	1992	1991	1990	1989	1988	1987	1986
US Treasury bill	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
US Treasury note	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
US Treasury bond	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
10-year Treasury note	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
30-year Treasury bond	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

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MARKET DIARY

Tame Inflation Data Cheer Wall Street

NEW YORK — Wall Street was cheered Friday by a government report showing inflation in check, which may have lessened the chance the Federal Reserve Board will raise rates sharply next week.

While most analysts said they still expected the Federal Open Market Committee to raise rates when it meets Tuesday, a moderate increase in consumer

U.S. Stocks

prices for July prompted many to lower their forecast on the size of a rate increase.

The Dow Jones industrial average rose 17.81 points, to 3,768.71, and advancing issues edged out decliners by a 3-to-2 ratio on the New York Stock Exchange.

Stocks also got a lift from firm bond prices.

Among individual issues, Caterpillar rose 2 1/2 to 105 1/2 after it said its worldwide sales and profit would be stronger than expected and that a strike would have little impact on third-quarter results.

Exxon rose 2 to 60 1/4 after a federal court ordered the com-

pany to pay lower compensatory damages for a Valdez, Alaska, oil spill than the plaintiffs had asked. The settlement led some analysts to think that the jury would lower its award on claims of \$15 billion in punitive damages connected with the 1989 spill.

Eli Lilly erased gains and ended flat amid speculation that Britain's Glaxo Holdings might make a takeover bid for the drug company.

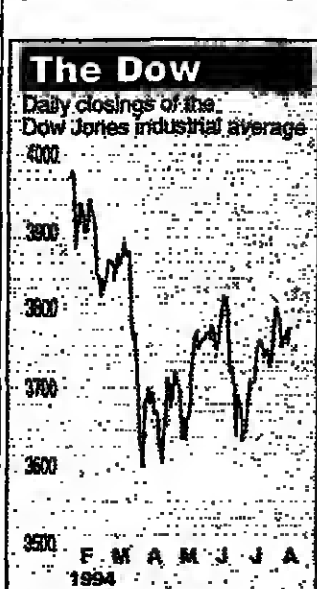
Amgen rose 1 1/2 to 53 1/2 on expectation for more drug-industry mergers after American Home Products' \$3.5 billion offer for American Cyanamid.

Bucking the trend, Syntex fell 1 to 21 1/2 on talk that Roche Holdings' \$5.8 billion takeover offer for the drug company had unraveled. Syntex denied the agreement had collapsed.

Federal Express, the overnight shipping company, rose 1 1/2 to 66 after it said its July average daily volume rose 17 percent from a year ago.

United American Healthcare gained 1 1/2 to 19 1/2 on reports it was poised for huge growth as millions more Medicaid recipients are shifted to managed health care. (Bloomberg, AP)

By Associated Press Aug. 12



NYSE Most Active

Symbol	High	Low	Last	Chg.
Syntex	21.50	21.25	21.12	-0.10
Amgen	53.50	53.00	53.25	+0.25
Exxon	60.50	60.00	60.25	+0.25
Caterpillar	105.50	105.00	105.25	+0.25
FedEx	66.50	66.00	66.25	+0.25
United Healthcare	19.50	19.00	19.25	+0.25

NYSE Most Active

Symbol	High	Low	Last	Chg.
Amgen	53.50	53.00	53.25	+0.25
Exxon	60.50	60.00	60.25	+0.25
Caterpillar	105.50	105.00	105.25	+0.25
FedEx	66.50	66.00	66.25	+0.25
United Healthcare	19.50	19.00	19.25	+0.25

NASDAQ Most Active

Symbol	High	Low	Last	Chg.
Amgen	53.50	53.00	53.25	+0.25
Exxon	60.50	60.00	60.25	+0.25
Caterpillar	105.50	105.00	105.25	+0.25
FedEx	66.50	66.00	66.25	+0.25
United Healthcare	19.50	19.00	19.25	+0.25

Market Sales

NYSE	NYSE	NYSE
1,234,567	1,234,567	1,234,567
1,234,567	1,234,567	1,234,567

Dow Jones Averages

Index	Open	High	Low	Close	Chg.
Indus	3768.71	3774.21	3761.41	3768.71	+17.81
Trans	1912.41	1918.11	1908.11	1912.41	+1.21
Comp	1812.41	1818.11	1808.11	1812.41	+1.21

Standard & Poor's Indexes

Index	High	Low	Close	Chg.
Indus	538.91	537.41	538.91	+1.51
Trans	180.41	179.91	180.41	+0.51
Comp	140.41	139.91	140.41	+0.51

NYSE Indexes

Index	High	Low	Close	Chg.
Composite	253.71	253.21	253.71	+1.41
Indus	114.11	113.61	114.11	+1.21
Trans	21.21	21.11	21.21	+0.21

NASDAQ Indexes

Index	High	Low	Close	Chg.
Composite	711.11	710.61	711.11	+2.51
Indus	314.11	313.61	314.11	+1.21
Trans	71.21	71.11	71.21	+0.21

AMEX Stock Index

Index	High	Low	Close	Chg.
AMEX	40.11	40.01	40.11	+0.11

Dow Jones Bond Averages

Index	High	Low	Close	Chg.
20 Bonds	95.91	95.81	95.91	+0.01
10 Utilities	101.51	101.41	101.51	+0.01

NYSE Diary

Index	High	Low	Close	Chg.
Advanced	12.51	12.41	12.51	+0.01
Declined	12.51	12.41	12.51	+0.01
Unchanged	12.51	12.41	12.51	+0.01

AMEX Diary

Index	High	Low	Close	Chg.
Advanced	12.51	12.41	12.51	+0.01
Declined	12.51	12.41	12.51	+0.01
Unchanged	12.51	12.41	12.51	+0.01

NASDAQ Diary

Index	High	Low	Close	Chg.
Advanced	12.51	12.41	12.51	+0.01
Declined	12.51	12.41	12.51	+0.01
Unchanged	12.51	12.41	12.51	+0.01

Spot Commodities

Commodity	High	Low	Close	Chg.
Aluminum	1.45	1.44	1.45	+0.01
Copper	1.45	1.44	1.45	+0.01
Gold	1.45	1.44	1.45	+0.01

Industrials

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

EUROPEAN FUTURES

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

Metals

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

Financial

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

Stock Indexes

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

Dividends

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK SPLIT

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK CORRECTION

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK REGULAR

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK SPLIT

Index	High	Low	Close	Chg.
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Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK REGULAR

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Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK SPLIT

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK CORRECTION

Index	High	Low	Close	Chg.
Indus	1.45	1.44	1.45	+0.01
Trans	1.45	1.44	1.45	+0.01
Comp	1.45	1.44	1.45	+0.01

STOCK REGULAR

0.20	46.82	May 95	43.50	46.07	43.52	43.17
1.15	46.82	May 95	43.50	46.29	45.70	45.70
4.00	43.25	Jul 95	47.08	47.00	46.60	46.95
3.25	41.80	Aug 95				46.55
Est. sales 1,137						
Thurs. sales 2,273						
Thurs. operating 7,609 off 190						

Food

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect intra trades elsewhere. Via The Associated Press

(Continued)

(Continued)

17 Month	High Low Stock	Div	Yld Pct	35	High	Low	Latest Cr
17	17	17	17	17	17	17	17
18	18	18	18	18	18	18	18
19	19	19	19	19	19	19	19
20	20	20	20	20	20	20	20
21	21	21	21	21	21	21	21
22	22	22	22	22	22	22	22
23	23	23	23	23	23	23	23
24	24	24	24	24	24	24	24
25	25	25	25	25	25	25	25
26	26	26	26	26	26	26	26
27	27	27	27	27	27	27	27
28	28	28	28	28	28	28	28
29	29	29	29	29	29	29	29
30	30	30	30	30	30	30	30
31	31	31	31	31	31	31	31
32	32	32	32	32	32	32	32
33	33	33	33	33	33	33	33
34	34	34	34	34	34	34	34
35	35	35	35	35	35	35	35
36	36	36	36	36	36	36	36
37	37	37	37	37	37	37	37
38	38	38	38	38	38	38	38
39	39	39	39	39	39	39	39
40	40	40	40	40	40	40	40
41	41	41	41	41	41	41	41
42	42	42	42	42	42	42	42
43	43	43	43	43	43	43	43
44	44	44	44	44	44	44	44
45	45	45	45	45	45	45	45
46	46	46	46	46	46	46	46
47	47	47	47	47	47	47	47
48	48	48	48	48	48	48	48
49	49	49	49	49	49	49	49
50	50	50	50	50	50	50	50
51	51	51	51	51	51	51	51
52	52	52	52	52	52	52	52
53	53	53	53	53	53	53	53
54	54	54	54	54	54	54	54
55	55	55	55	55	55	55	55
56	56	56	56	56	56	56	56
57	57	57	57	57	57	57	57
58	58	58	58	58	58	58	58
59	59	59	59	59	59	59	59
60	60	60	60	60	60	60	60
61	61	61	61	61	61	61	61
62	62	62	62	62	62	62	62
63	63	63	63	63	63	63	63
64	64	64	64	64	64	64	64
65	65	65	65	65	65	65	65
66	66	66	66	66	66	66	66
67	67	67	67	67	67	67	67
68	68	68	68	68	68	68	68
69	69	69	69	69	69	69	69
70	70	70	70	70	70	70	70
71	71	71	71	71	71	71	71
72	72	72	72	72	72	72	72
73	73	73	73	73	73	73	73
74	74	74	74	74	74	74	74
75	75	75	75	75	75	75	75
76	76	76	76	76	76	76	76
77	77	77	77	77	77	77	77
78	78	78	78	78	78	78	78
79	79	79	79	79	79	79	79
80	80	80	80	80	80	80	80
81	81	81	81	81	81	81	81
82	82	82	82	82	82	82	82
83	83	83	83	83	83	83	83
84	84	84	84	84	84	84	84
85	85	85	85	85	85	85	85
86	86	86	86	86	86	86	86
87	87	87	87	87	87	87	87
88	88	88	88	88	88	88	88
89	89	89	89	89	89	89	89
90	90	90	90	90	90	90	90
91	91	91	91	91	91	91	91
92	92	92	92	92	92	92	92
93	93	93	93	93	93	93	93
94	94	94	94	94	94	94	94
95	95	95	95	95	95	95	95
96	96	96	96	96	96	96	96
97	97	97	97	97	97	97	97
98	98	98	98	98	98	98	98
99	99	99	99	99	99	99	99
100	100	100	100	100	100	100	100

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13 Month	Div	Yld	Pct	100%	High	Low	Latest	Cy
High Low Stock								
1. 1950-1951								
2. 1951-1952								
3. 1952-1953								
4. 1953-1954								
5. 1954-1955								
6. 1955-1956								
7. 1956-1957								
8. 1957-1958								
9. 1958-1959								
10. 1959-1960								
11. 1960-1961								
12. 1961-1962								
13. 1962-1963								
14. 1963-1964								
15. 1964-1965								
16. 1965-1966								
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62. 2011-2012								
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65. 2014-2015								
66. 2015-2016								
67. 2016-2017								
68. 2017-2018								
69. 2018-2019								
70. 2019-2020								
71. 2020-2021								

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一、關於我國經濟建設之方針。我國經濟建設之方針，應以發展生產力為第一要義。在生產力發展之基礎上，應以改善民生為第一要義。在改善民生之基礎上，應以發展文化為第一要義。在發展文化之基礎上，應以發展國防為第一要義。此為我國經濟建設之方針。

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REPORT

FIRST COLUMN

It's a Lonely Wait, But Worth It

THE world's markets generate thousands of signals and indicators, the great majority of which are greedily devoured by investors and commentators. Yet amid the maelstrom of raw information to be interpreted, there is but one certainty, and that is a sad one: The only thing we can be sure of is that each and every piece of information is ambivalent, capable of being interpreted at least two ways.

The search for tomorrow's emerging markets affords a classic example. On the one hand you have the optimism, albeit qualified, of renowned emerging market enthusiasts like Arnab Banerji, chief investment officer of the U.K. investment firm, Foreign & Colonial Emerging Markets Limited. Mr. Banerji argues that the emerging markets of the world stand to benefit most from free trade. He identifies two of the better developed markets, China and India, as key players in this scenario, but acknowledges that their exports will eventually meet with protectionist policies from the developed countries.

The skeptical view of emerging markets focuses on the argument that money is spilling into them because the mainstream markets are already fully valued, and therefore, ripe for correction.

But the moral seems clear that markets really do emerge and eventually join the mainstream — perhaps after a period of unrelenting volatility for investors. Hong Kong has already done so and Mexico appears to be next. So investors concerned with finding the Mexicos of tomorrow should expect to sit tight for a year or two. Or ten.

M.B.

Diversity Makes Latin Markets Daunting

By Baile Netzer

ASK market strategists how individual investors can assess the potential risk and return in Latin America, and you'll receive an unsettling answer: Don't even try.

Sure, math wizards and computer hacks have had time enough to calculate the expected standard deviations, correlation figures and risk-measuring betas. But such quantitative approaches are not always reliable. Besides, experts say, Brazil is one thing, Mexico quite another.

Indeed, investors who pinned their Latin American hopes on a soaring Mexico have experienced a disappointing 9 percent drop in their holdings this year. Those that chose Brazil, however, have already reaped gains of 50 percent. Chile, Peru and Colombia have joined Brazil in the winners' club, while Argentina and Venezuela have dipped, the latter by a heart-stopping 25 percent. Is there a method to this madness?

"The only lesson we've learned this year is that Mexico and Argentina seem to be the most sensitive to interest rate movements in the United States," said Laurie Meister-Melka, manager of Latin American sales at Merrill Lynch in London.

Because foreign investors account for more than 50 percent of the freely-traded shares in those markets, a rise in U.S. interest rates may represent a more attractive opportunity closer to home for them, according to Meister-Melka.

Columbia and Brazil, however, "essentially march to their own drummer," says Emily McLaughlin, director of Latin American equities at Foreign and Colonial Emerging Markets in London. The lesson for investors: Movements in the giant \$182 billion Mexican market can't be counted on to lead the way for Mexico's smaller Latin American cousins.

A recent report by fund-tracker Microcap, in fact, showed a higher correlation between the Mexican and Indonesian markets than between Mexico and Columbia.

"Many of the Latin American countries are not economically linked to one another, so their markets really don't move in

tandem," explained Miss McLaughlin. She said she expects that state of affairs to change, however, as the effects of three recent treaties — NAFTA (linking Canada, the United States and Mexico), Mercosur (linking Argentina, Brazil, Paraguay and Uruguay) and the Andean Pact (Venezuela, Peru, Colombia, Bolivia and Ecuador) — begin to kick in.

Since most individual investors have neither the time nor the resources to research every Latin American market, experts recommend exposure to Latin America through regional funds that can invest across a number of markets.

But is picking a Latin American regional fund any easier than picking a single-country fund? A recent three-year comparison by Microcap showed that only three of ten Latin American regional funds beat the World Bank's IFCI index of Latin American markets.

In the U.S. market, only one of the three closed-end Latin American funds traded on the New York Stock Exchange and tracked by Chicago fund-rating group Morningstar has been around long enough to earn a rating. The four-year-old Latin American Investment Fund has earned a top five-star rating from Morningstar.

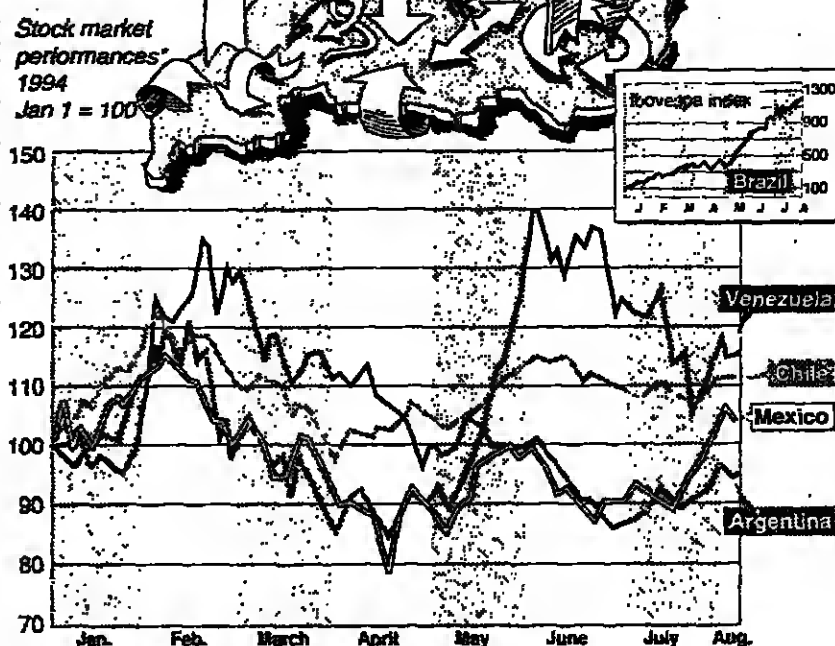
However, investors who choose a closed-end Latin American fund should be aware that fluctuating share prices may not reflect the true value of their fund's holdings. In addition, say experts, a closed-end fund is likely to hold riskier investments than an open-end mutual fund invested in the same region.

"Because they don't have to keep cash to meet redemptions, closed-end funds tend to be more fully-invested and they're able to take positions in riskier smaller stocks that aren't so liquid," says Morningstar fund analyst Colin Mathews. "As a result of that extra risk, they also tend to outperform their open-end counterparts."

Among open-ended funds available to U.S. investors, Scudder's \$620 million Latin America Fund tops Lipper's performance ranking for the 12 months ended July 31, with a 46 percent total return. Scudder also has a 3-month-old fund listed

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Morocco's promise
into Africa
Israel's potential
The allure of China and Vietnam

Latin American Equity Markets



Latin America — Invested Mutual Funds

Total % return over one year to July 31, 1994					
U.S. domiciled		Offshore domiciled			
Scudder Latin America	46.00	Verifone Fundo	110.82	Argentinean Inv't Co.	50.27
Merril Latin Amer.	40.28	Opp Fd Brazil Balance Equity	97.59	Latin American Fund	49.88
Merrill Latin Amer. B	38.27	Colombian Int'l Co.	96.05	Infinity Fund	49.28
Fidelity Latin America	25.58	Emerity Fund	84.88	BSS Univ Latin Am A	41.05
GT Latin Amer Growth	23.87	Sam Brazil	84.35	BSS Univ Latin Am B	41.05
GT Latin Amer Growth B	30.78	Opp Fd Brazil Balance	58.95	ML Latin American A	39.77
UST Nat; Emerging Amer	30.61	K.B-Norconur Equity A	54.65	Emer Mkts-Latin Amer	39.05
TOWDOW Latin Amer Gr	29.94	K.B-Norconur Equity B	54.14	Five Arrows LA Dist	38.91

*Mexico = Bolsa index Chile, Argentina, Venezuela = General indexes
Sources: Bloomberg, Lipper Analytical Services, International Herald Tribune

Playing 'New' Emerging Markets Is a Challenge, Even for the Seasoned Investor

By Iain Jenkins

OVER the past five years, some shrewd investors have made a fortune by putting money into emerging markets such as Indonesia, Peru, and the Philippines. To repeat the trick, they may have to reach for the atlas again and punt on a newer generation of emerging stock markets in various locales throughout the Middle East, Africa, Eastern Europe and the Caribbean.

Like handicapping thoroughbreds, spotting which new markets will join places such as Hong Kong, Mexico, Indonesia and Thailand — now often referred to as "mature" emerging markets — has become a popular pastime. Mutual fund managers have been racking up frequent-flyer miles and huge credit card bills traveling to the dusty plains of Africa and the arid deserts of the Middle East.

"The best hope of seeing the same spectacular gains of recent years may lie in newer markets," said Peter Jeffreys of London-based Fund Research Ltd. "It is highly unlikely that Asia and Latin America will produce the same returns again."

But how do you pick which new markets are about to emerge and take off? To

what extent are the experiences of the mature emerging markets relevant to those waiting in the wings? Will Africa and the Middle East follow the trends set by Hong Kong, Mexico, Thailand and the Philippines?

History shows a somewhat consistent pattern in emerging markets. A country lies in a relatively dormant state until a period of political change takes place, after which it takes off. The boom is followed by a seemingly inevitable collapse from which a market either regresses terminally or recovers.

Some observers say that Hong Kong started the process. From 1975 through the end of July, its Hang Seng index rocketed approximately 8,000 percent. The main surge took place in the early 1990s, with the market rising 44.8 percent in 1991, 25.6 percent in 1992 and a staggering 120 percent in 1993.

Mexico is further behind Hong Kong in the cycle but shows a similar pattern. It started to climb in 1987, and since then investors have seen a rise of about 2,500 percent in its Bolsa Index. Once again, the main gains came over the last three years with respective returns of 50 percent, 20 percent and 30 percent, as U.S. investors poured money into Mexico in a big way.

The same experience was repeated with more recent arrivals such as Thailand and the Philippines. They started upward at about the same time as Mexico and have shown respective returns of about 1,200 percent and 2,500 percent to the present. Again, most of the run took place in the early 90s.

These recent surges, say some experts, can be explained by liquidity flows. Money was flowing from the low-interest-rate environment of the United States in search of higher returns overseas. In 1992, according to Baring Securities, U.S. investors put over \$40 billion into foreign markets. In 1993 it was up to \$70 billion, with \$20 billion allocated for emerging markets, not including Hong Kong and Singapore.

"The lesson is clear," said Angela Corzini, a strategist at Baring Securities. "Once an emerging market has got its economy under control, it will get a kicker in the short term from liquidity flows. In the longer term, the key is the value that the market represents."

"Newer emerging markets should follow the same pattern," added Miss Corzini. "They will start to move when there are signs of liberalizing the economy. The takeoff will come when there is the next global liquidity surge. They should benefit disproportionately as everyone

knows that the earlier you are into these markets, the bigger gains you get."

But before the liquidity "kicker" comes, new emerging markets have to show signs of awakening from their dormant state in which private enterprise and foreign investment is often frowned upon, and where much of the economy is state-controlled.

Richard Watts, head of emerging markets at Gartmore fund managers in London, says: "Many of the promising countries start off by getting into IMF programs where they have to reform the economy and boost exports. If they succeed and no longer need to rely on official aid — and can attract private capital — they are on the way to emerging."

Arnab Banerji, chief investment officer at Foreign & Colonial Emerging Markets, said: "To start with, we look for macroeconomic policy moving in the right direction alongside political stability and overall economic liberalization. There has to be a secure way to get currency in and out of an economy. There has to be a functioning bourse or a commitment to set one up."

John Ross, a strategist at U.S.-based Fidelity Investments, said that certain events attract foreign investors. "A queue of privatizations on the runway helps attract capital and causes a re-evaluation of

existing stocks," he said. "It means the market is broadening out. It makes the market more visible and raises interest."

But Mr. Ross cautioned that there can be a lot of hype with new markets, and that investors can jump the gun before all the pre-conditions are in place. "It may have happened with China last year," he said. "People were buying a concept. This year it is one of the worst performers."

However, Mr. Watts at Gartmore said that fortune should favor the brave. "There is a bit of a gold rush going on," he said. "But there are more examples of success than failure when you go flying blind into new markets. There is no guarantee that it will work out, but there have been few accidents in the early stages. Accidents tend to happen later, after the market has run up, like in Venezuela or Turkey. The real trick is to watch a new market overheat."

More and more dominant countries are starting to come to grips with their economic problems, and these markets will start to show signs of life, say some analysts. However, history suggests that newer emerging markets will have to wait for the next global liquidity boost to really take off. That event is probably 18 months away, said Miss Corzini at Baring Securities.

Privatization Programs Hold the Keys to Maturity for Nascent European Bourses

By Rupert Bruce

THE EMERGING markets of southern Europe are, by and large, countries that embrace the doctrine of nationalization of industry when it was fashionable, without succumbing to the embrace of Soviet communism.

Today, markets such as Greece, Portugal, and Turkey are all trying to reduce public debt burdens by selling off state-owned industry as part of large privatization programs. Analysts, moreover, say they are doing so with varying degrees of success.

Portugal is widely held to be the best of the three. Some observers have dubbed it a "warrant on Europe" and are impressed by its efforts to privatize, promote economic growth, and reduce state debt. The prospects for Greece and Turkey, say analysts, are less auspicious.

The stock markets of all three countries rose sharply last year as emerging-markets fever took hold. Greek shares rose by more than 40 percent in local currency terms, and Portuguese shares by more than 30 percent. Turkish shares surged more than fivefold.

This year, however, has been a different story. Just as they participated in the rises that swept across many emerging markets last year, these markets have fallen victims to the widespread collapse this year.

The Morgan Stanley Capital International Indexes for Greece, Portugal, and Turkey have fallen by 18 percent, 19 percent, and 25 percent respectively in local currency terms. But in Turkey, the fall for foreign investors has been magnified by a roughly 50 percent slump in the value of the lira against the dollar. When measured in dollars, Morgan Stanley's Turkey index has fallen by more than 60 percent.

According to Isabel Knight, a portfolio manager covering European emerging markets at Morgan Stanley Asset Management in London, the strength of the

Turkish stock market had an added domestic fillip in 1993. It was stimulated by a change in tax laws that encouraged mutual funds to put 25 percent of their assets into equities, and a reduction of interest rates.

But the bubble burst early in the year when the lira came under fire at roughly the same time as stock markets started falling around the world. Standard & Poor's, the international debt rating agency, precipitated a crisis of confidence in the currency when it downgraded Turkish debt.

Since then, Turkey has embarked on an austerity drive aimed at slashing the budget deficit by half to 93 trillion lira (\$2.9 billion) in 1994 through wage restraint, official commodity price rises, new taxes, and speeding up privatization.

But a recent court ruling has placed the privatization program — in which \$2.5 billion of assets were to be sold off this year — in jeopardy. Effectively, the court ruling means that the government will have to present separate legislation in Parliament every time it wants to privatize a company.

"If the privatization program does not go through, then you could have a real problem," said Miss Knight.

Turkey's neighbor Greece has few friends among the investment community.

James Hancock, an emerging markets fund manager at Guinness Flight in London, said: "We score Greece low on just about every criteria."

The country has a high public sector deficit, Mr. Hancock said, and the investment community is far from sure that the Greeks are committed to doing anything about it.

Portugal, however, is almost universally liked. After the 1974 Carnation Revolution, in which an ideologically communist army took power in bloodless coup, much of the country's industry was nationalized. But since the social democrats came into power in the late 1980s, privatization has been pursued.

Twenty percent of Cimpor, the largest cement company in the country, was sold off last month. And planned privatizations include Portugal Telecom, which is scheduled for the first half of 1995.

Keith Porter, an emerging markets fund manager at Gartmore Investments PLC in London, says that as Europe grows, Portugal should grow that much faster.

Mr. Hancock of Guinness Flight said: "The stock market has very good value. The economy is coming out of recession, and real earnings growth in 1994 should be about 20 to 25 percent."

WHEN the Berlin Wall fell in 1990 and communism was collapsing across eastern and central Europe, there was a lot of talk about investing in the region. But little action was taken.

Now, however, after several years of privatization programs, analysts say that fledgling stock markets in these countries are beginning to come of age.

Western investors are buying more shares on the stock markets of the Czech Republic, Hungary, and Poland, say analysts. They have also begun to buy in Russia, despite the recent mutual fund scandal there.

"Clearly, in each of the markets, privatization has developed the stock market," said Henry Gibbon, acting editor of the magazine Privatization International. "In most of the countries, there are not that many stocks trading because this is a gradual process. In the Czech Republic, there are only 20 to 25 stocks listed."

John Govett & Co. Ltd., a London-based investment management company, is one of the few companies to have raised a substantial sum of money specifically earmarked for Eastern and Central Europe back in the early days. It launched the Hungarian Investment Co., a \$100 million fund, back in March 1990. Initial-

ly, the fund drew criticism for not being fully invested.

At the end of 1993, the fund was still only 85 percent invested. But a combination of new issues and rights issues in Poland and the Czech Republic, as well as in Hungary, have given Julian Cooke, an investment manager at John Govett, the opportunity to increase his holdings.

Perhaps the most significant change in the region is the sudden interest of Western investors during the last two to three months in Russian equities.

"There is significant value and strong interest in Russian equities from major western financial institutions," said Bill Browder, a Russian equities specialist at Salomon Brothers in London. "Oil and electricity companies are trading at 2 to 3 percent of asset values based on comparisons with western companies."

According to Scott Delman, a director of Foreign & Colonial Emerging Markets in London, Russian shares — most of which are traded over the counter between brokerage firms rather than on stock exchanges — have shown more dramatic growth than those anywhere else in 1994, and have totally ignored falls in both developed and emerging markets elsewhere. Shares in some Russian companies privatized in February and March, he added,

have risen in dollar terms by up to 500 percent.

Nevertheless, there are obstacles to investment in Russia. At present, there are insufficient custody and settlement facilities in the country, although this could improve shortly, say observers.

Elsewhere in central and eastern Europe, the emerging stock markets fell sharply with other world markets in the early part of this year. By far the most dramatic story was in Poland, where the WIG Warsaw Stock Exchange index rose by more than 1,900 percent in local currency terms between the beginning of 1993 and its peak in mid-March of 1994.

It was then, however, that the stampede out of Polish equities began. By early May the index had halved to around the 10,000 level, where it is still trading today.

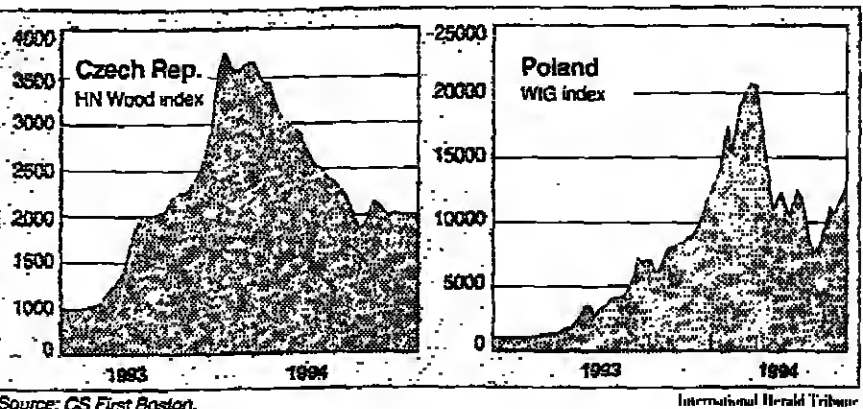
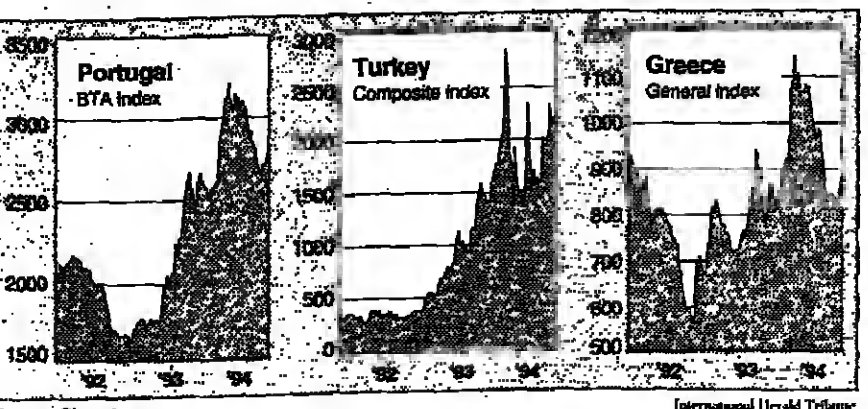
The Budapest Stock Exchange Index, where gains had been modest in comparison with Poland, fell about 25 percent, and in Prague, the HN Wood Index, compiled by local stockbroker Wood & Co., fell by more than 30 percent.

In the case of Poland, shares had become extremely expensive. Mr. Delman said that although he is bullish on Poland, shares are still not cheap. But should the scheduled privatization program take place on schedule, he added, that problem should be eased.

Mr. Delman said he had reservations about the Czech Republic, because privatization has not been accompanied by a restructuring of industry. He is also concerned about the liquidity of the market. And Hungary, he said, is in for a tough time.

Despite these problems, however, Western investors are buying selected shares. Mr. Cooke of John Govett believes that for these stock markets to truly come of age, the privatization programs need a bit more time to bring more companies to the markets. This would provide, he said, greater liquidity and a larger range of shares to choose from.

Rupert Bruce



THE MONEY REPORT

China, Vietnam Mix Roots with Reforms

By Digby Lerner

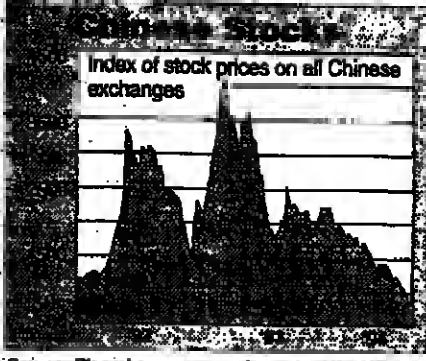
ACCORDING to Confucius the cautious seldom err — something those investing in Chinese mutual funds might be advised to bear in mind despite the massive 36 percent rise in Shanghai share prices on August 1.

Although the move was a welcome shift in a market which plunged 80 percent in May, analysts are divided over how sustained the upturn will be. Those predicting only a short-term recovery claim that the current bull market is firmly rooted in a temporary bid by the Chinese government to bolster share prices.

In fact the government's decision to suspend the further issue of class A shares (those sold only to Chinese investors) was clearly one reason why the market climbed when it did, analysts say. But how much the rise is underpinned by market fundamentals is another matter.

Chris Legall, managing director of the investment house Jupiter Tyndall Asia in Hong Kong, says that the government's reforms were only one reason among many for a long overdue bounce in share prices. "There was more to what happened than just a boost from the government," he said. "The market had been depressed for a while, even though some companies were showing promising results. Investors had become very negative."

Margaret Gadow, a fund manager with



Source: Bloomberg International Herald Tribune

Fidelity Investment Management in London, is also skeptical about the degree of influence the Chinese government has over the stock market. Although she believes that halting new share issues was a necessary step, she said that other government plans could do more harm than good.

"Banning new issues in what was already a weak market has proved extremely comforting for investors," she said. "Something needed to be done to reduce supply. Unfortunately the China Securities Regulatory Commission has now unveiled plans for \$1.5 billion worth of loans to be made available to Chinese securities houses, effectively to support the market. I think that sort of thing can be counterproductive, because you do not have a market moving on its own merits."

A major difference between China and

most other emerging markets is its continuing political commitment to communism. This has, however, done little to curb the country's long march toward economic liberalization.

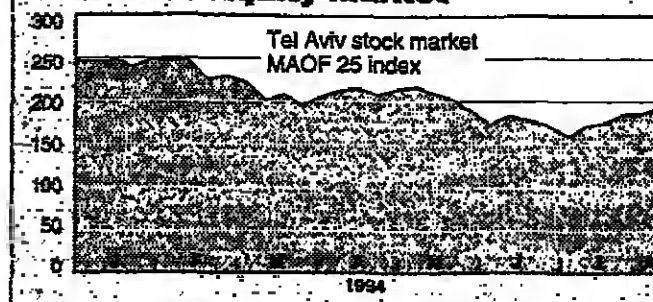
But for all China's de facto acceptance of capitalism, it still has several problems to iron out if it hopes to encourage wider foreign investment, observers say. Apart from needing a stronger accounting and legal framework, it also has to deal effectively with inflation — currently running at about 20 percent.

In Vietnam, China's neighbor, inflation is down to 5.2 percent from over 17 percent last year. Like China, Vietnam is quickly being drawn toward capitalism while still retaining communist roots. Many analysts point to Vietnam as a "new" emerging market with considerable promise. Indeed, since the United States ended its trade embargo with Vietnam earlier this year, the country has already attracted \$1.5 billion in foreign investment.

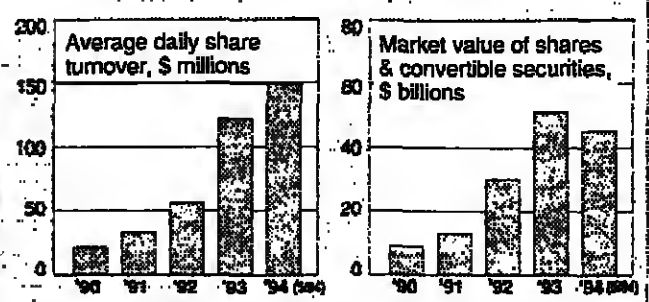
The only way into the market, however, is to buy directly into a Vietnamese corporation. There is speculation that a stock exchange will be opened before the end of 1995, but there are no concrete plans as yet.

Despite this, Vietnam has already embarked on a privatization program. But this initiative has been hit by corruption scandals which, analysts fear, could knock back the country's enthusiasm for market economics.

Israel's Equity Market



Source: TASE, Bloomberg



Source: TASE, Bloomberg

Israel: Still Reeling, or on the Rebound?

By Christine Stopp

EMERGING markets gurus have started to give up signals again on Israel after a 40 percent market correction in the first half of 1994. "Bouncing off the bottom," said a recent bulletin from Foreign & Colonial Emerging Markets, for whom a prospective 12.5 price/earnings ratio in 1994 offers "unusual value."

The experts find it hard to give precise reasons for the Israeli market's sharp fall. "The gyrations have been much more sentimentally than fundamentally driven," according to Michael Connors of Barclays de Zoete Wedd in London.

The general effects of worldwide recession and indigestion after last autumn's peace fervor seem the likeliest explanation, say analysts. At the start of this year, the Israeli market had been booming for four years.

The Tel Aviv stock market is sixty years old and had a share capitalization in April of \$45 billion, similar to that of Argentina or Indonesia. Its U.S.-style regulation and computerized operation reflect the high-tech nature of many Israeli companies. Moreover, the number of companies listed in Tel Aviv has risen from 271 in 1990 to over 600 this year, and there are 58 Israeli companies quoted on New York exchanges.

Emerging markets managers are now looking at Israel with interest. Though the

market has obliged with some true emerging market-style volatility, it should not be classed with the nascent markets in some developing countries, say observers. Mr. Connors, who manages the new Société Générale Strauss Turnbull Israeli investment trust, said market volatility is not always associated with market immaturity.

Indeed, unlike many emerging markets, Israel has a sound business and financial infrastructure and a well educated, internationally minded population. Conservative estimates predict GDP growth of 5.5 percent for the year.

The jewel in the crown is the vast expansion which could be made possible by the Middle East peace process. This could boost Muslim or Muslim-influenced markets around the world such as Indonesia, Pakistan and Malaysia. If full peace is achieved, much less of GNP will go into defense spending.

Israel's position as a highly developed, technically advanced nation, in a part of the world where many countries are still at a basic stage of development, means it could also act as a catalyst in the opening up of those markets.

Moreover, with many resident immigrants from the former Soviet bloc, Israel is well placed to win contracts for rebuilding the infrastructure of Central Europe. The Israeli telecommunications company, Bezeq, is actively negotiating contracts there, as well as in Africa and Asia. Bezeq is part of the Israeli government's privatization program, with 23 percent of its stock already on the market.

Further issues or strategic partnerships

are also possible: It is rumored that British telecommunications firms are in serious discussions with the company with a view to taking substantial stakes.

Israel is free of market restrictions for foreign investors wishing to invest there. There are around 250 Israeli-based mutual funds, and a growing nucleus of offshore funds, but it is relatively easy for larger investors to go in directly. Gains can be repatriated with no penalty, provided the original investment brought new foreign capital into the country.

Non-residents can also set up an account in Israel through an overseas branch of an Israeli bank, or by contacting a local broker directly. Those not wishing to set up an account in Israel could look at the New York-listed companies.

Mr. Lesser currently likes Electric Fuel Corp., which is developing a new car battery, and Tadiran Ltd., a supplier of telecommunications equipment to Bezeq.

Douglas Polimin, a member of the emerging markets team at the Swiss private bank Pictet & Cie, said some of the New York-listed companies represent "fantastic value." He was cautious about the booming Israeli market at the end of last year, but has become a buyer during the past month.

An investment in an Israeli fund or in directly held equities is only for those who can accept the risk of single country exposure in a volatile region, some warn. "Fine for the long haul," is Mr. Connors' verdict, although he said things could be hair-raising in the short term.

Morocco Attracting Big (and Small) Fish

By Michael D. McNickle

GET deep pockets? Don't mind a little risk? Welcome to the Kingdom of Morocco. In the past 11 years, this Western-influenced African nation has bounced back from the brink of bankruptcy to become, in the minds of some market analysts, a beacon of economic hope for ailing continent.

While many other nations on the continent have slipped deeper into debt, further into the quicksand of corruption, and into the ravages of war, Morocco has quietly moved in other directions, analysts add.

Paved in Morocco's plan has been to attract businesses from wealthier nations in Europe, which are anxious to make use of Morocco's burgeoning supply of cheap labor. Their operations have helped to create employment and stability in Morocco.

Lifting restrictions on foreign investment, privatizing monopolistic state enterprises, and making the stock market available to both domestic and international investors alike have also provided boosts for the country's market.

Morocco's budget deficit, according to a report by Barings Securities, has been reduced from over 13 percent of GDP in 1981, to 1.7 percent by the end of last year,

while inflation has also fallen significantly.

These changes, moreover, have been noticed. Earlier this year, investment guru George Soros met with Faoud Filali — King Hassan's son-in-law and head of ONA, Morocco's leading company — in an effort to purchase a 10 percent stake in the firm. The interest by the noted investor "put Morocco on the map for a lot of people," remarked Elizabeth Morrissey, managing partner for Kleiman International Consultants in Washington.

Mr. Soros was reported to have paid \$40 million for 2 percent of ONA's shares and 15 percent of a financial subsidiary.

Thomas Caplan, New York-based portfolio manager for Bridge Capital Corp., which runs the offshore First Morocco fund, said that in Morocco, "the potential exists to multiply one's money."

It's not all gravy, however. Mr. Caplan noted that, at present, the Casablanca Stock Exchange has some very illiquid shares. So while particularly well-heeled investors might want to allocate a portion of their funds to a country like Morocco, the market is unsuitable for others.

For those who can stand the risk, there are three ways to get in — through a country fund (which usually includes Morocco and neighboring Tunisia), an Africa fund with weighting in Morocco, or through the purchase of individual shares. Ian Wilson, editor of the Microcap

Emerging Market Fund Monitor, noted that of the few Morocco funds now in existence, the Maroc Privatization Fund recently led the pack with a total return of 15.51 percent for the first half of this year. The Casablanca Stock Exchange rose 28 percent over the same period.

Another possibility is the Atlas Maroc fund, which rose 4.99 percent during the three month period ending June 30. Also of interest, Mr. Wilson said, is the Framlington Maghreb Fund, a closed-end vehicle now being set up. It will be listed in Dublin.

Jean-Marc DuBois, manager of the Maroc Privatization fund, said he presently has "a lot of financial companies" in the portfolio, but noted that he is currently planning to add more shares to the fund later in the year as more privatizations go through.

Indeed, the current Moroccan plan calls for 112 companies to be put on the block over the next year or two, and is expected to raise about \$2.2 billion. The privatizations will add a "major boost" to market capitalization, according to a Barings Securities report.

Those who want to make their own individual stock picks will find there are no Moroccan ADRs listed on U.S. exchanges. However, shares traded on the Casablanca exchange can be purchased by foreigners through international brokers.

African Markets 'A Complex Mosaic'

By Conrad de Aenlle

SOME OF the strongest stock markets this year have been in a region mired in the weakest of economic straits: Africa.

Several of Africa's barely emerged stock markets have produced returns this year in high double figures, even when calculated in U.S. dollars, something that markets in few other places have been able to achieve.

The best performance by far is the 91 percent gain in Ghana through mid-July. A 70 percent increase was recorded in Egypt, while Morocco, which has one of the better-developed economies and financial markets in the region, was up 39 percent.

Betting on Africa is not a sure thing, however. Zimbabwe has been a genuine stinker, falling more than 30 percent since January. And even the strong markets in Egypt and Ghana have flattened out or turned slightly negative lately.

The gains this year in Africa have been fueled by several factors, some based on economics others purely a by-product of emotion.

"A lot of it was on the back of the excitement about South Africa, and a lot of it was after the general emerging markets euphoria," observed Fiona Tohen, who follows Africa for the fund managers Foreign & Colonial Emerging Markets. "Because these are small markets, they are quite likely to go unnoticed unless there's some bigger story."

Then you notice they're good in their own right."

What makes many of the African states good, or at least better than they used to be, is the same sort of economic reform programs undertaken earlier in Latin America and other underdeveloped regions.

"Public-sector management has improved dramatically," said Kofi Bucknor, an Africa specialist at Lehman Brothers. "Deficits have been brought under control through fiscal discipline, and export growth has been strong. In addition to that, you've had a liberalization of capital markets; investors have a greater certainty of getting their money out once they've put it in."

Most of those who have committed money are Africans themselves, not foreigners with deep pockets chasing a handful of listed companies.

"What's driving these markets is local investor confidence," said Elizabeth Morrissey of Kleiman International Consultants. "It's not U.S. or international institutions flooding in. Most of them are still in the research stage and haven't made allocations yet."

"The other thing, just like Latin America in the late 1980s, is flight capital returning home. That's the best sign of long-term market stability. That's what pushed Latin America up so much."

Foreigners have not been ignoring the region, however. One pan-Africa fund trades on the New York Stock Exchange, although it has done miserably since being listed in February. And global funds are starting to sprinkle a bit of their assets in Africa. The Foreign & Colonial Emerging Markets Investment Trust recently had 2.75 percent of its holdings in Ghana and 3.5 percent in Morocco, Miss Tohen said.

One reason the money is starting to come in is that there is now a place for it to go. Many African governments, as part of their reform programs, are selling off state businesses to private investors.

"In those markets that are newly opening, it's very much related to privatization," Miss Tohen said. For instance last February, in Ghana, "the government sold off part of its stake in a number of listed com-

panies, and that gave quite a boost to the market."

The other star in this regard is Morocco, which is "probably the most active country on the continent at the moment," said Rodney Lord, editor of the newsletter Privatization International. "They have a quite developed program."

Despite such successes, many African states have been less than zealous in pursuing reform, a report by the World Bank argues.

Mr. Bucknor of Lehman Brothers concedes that "there are several places that have not been brilliant" in implementing reforms. "There are still political difficulties in Cameroon, Kenya, Algeria and a number of other countries. It's a mixed story. There are 52 countries on the continent, with a variety of cultures, economies and colonial ties. It's a complex mosaic."

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is edited by
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KEVIN MURPHY, Attorney at Law
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Please send the details of your deposit account (PLEASE WRITE IN CAPITALS):

NAME (Mr, Mrs, Miss, Ms) _____

ADDRESS _____

Postcode _____

Registered Office: Lombard House, 4 Finsbury Way, London EC2A 3DF, England
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*Interest is credited annually to earn interest on interest. For example £50,000 deposited for 5 years becomes £72,200 equivalent to 8.88% pa gross. Gross rates assume no deduction of basic rate tax. Rates correct at time of going to press but may change. As these are fixed term accounts withdrawals before maturity are not permitted. We assume that all our customers have complied with local regulations when sending funds to Lombard for deposit.

SPORTS



The Mariners' Ken Griffey Jr., in a last smash before the strike, hit a grand slam — his 40th home run of the season.

Take a Seat, Ken: The Strike Becomes a Reality

By Robert McG. Thomas Jr.
New York Times Service

NEW YORK — Baseball's bright April hopes for a glowing October have faded into an August gloom. But not before Ken Griffey Jr. had hit a grand slam for his 40th home run, Tony Gwynn had got three more hits, Randy Johnson got 15 more strikeouts and the Cincinnati Reds had "clinched" the first championship of the National League's new Central Division.

As the 1994 season went into strike, fans across the United States were given a series of dramatic farewells to the season ahead, among them a cliffhanger at Yankee Stadium, where the Toronto Blue Jays beat the Yankees, 8-7, in 13 innings.

Despite the loss, the Yankees — who finished with a 70-43 record and a .619 winning percentage, the best in the American League and the team's best since 1980 — "won" the American League East for the first time since the strike season of 1981.

The Chicago White Sox and the Texas Rangers won the Central and West divisions, and the Montreal Expos, who lost to the Pittsburgh Pirates on Thursday night but still finished with the best record in the majors, 74-40, claimed a division title in the National League with the Los Angeles Dodgers and the Reds.

Playing out their season in a Philadelphia rainstorm, the New York Mets battled the Phillies almost into Friday before losing, 2-1, in the bottom of the 15th.

So what began with fanfare in April as the first major-league season with three divisions in each league came down to the wire with some races in doubt to the very premature end.

What might have been the final day of baseball produced some instant champions, cut off some dramatic runs for individual

accomplishments and froze the season's three hottest races, all with special significance in the new divisional alignment.

Despite 12 strikeouts by Jose Rijo, the Reds, who began the day half a game ahead of the Astros in the National League's new Central Division, gave Houston an opening for first place with a 2-0 loss to the Dodgers in Cincinnati. But the Astros failed to take advantage.

Playing without Jeff Bagwell, who was leading the majors with 116 runs batted in before he broke his left hand Wednesday night, the Astros fell to the Padres, 8-6.

Gwynn, the Padres' outfielder who entered the game with a .391 average, came up three hits short of reaching the 400 mark. For that, Gwynn, who needed a 6-for-6 afternoon to finish at an even 400, went 3 for 5 as he raised his average to .394.

"Never in my wildest dreams did I think I'd get this close to 400," Gwynn said. "But getting an agreement is more important than hitting 400."

The shortened season might also cost Albert Belle of Cleveland and Frank Thomas of the White Sox a chance to continue their efforts to become the first player since Carl Yastrzemski of the Red Sox in 1967 to win the Triple Crown.

As Belle's season apparently came to an end, he stood second in batting average (.357), third in home runs (36) and tied for third in runs batted in (101).

Thomas was third in average (.353), second in home runs (38) and third in runs batted in (101).

The strike also brought a merciful end to one of the weirdest races in the history of baseball, the battle between the Rangers and the Oakland Athletics for the dubious distinction of becoming the first team with a losing record to win a division.

With Texas idle and entering the day with a 52-62 (.456) record, half a game ahead of the A's, the Rangers were forced to wait until the very last out of the very last game of the day to find out that they had "won" the AL West (at 457).

Griffey's grand slam helped the Mariners win at Oakland, 8-1, preserving the Texas title and eliminating any need for a phantom one-game playoff. Johnson raised his major-league-leading strikeout total to 204 as Seattle "finished" with a six-game winning streak.

Anticipating a long off season, players discussed their plans and defended the strike.

"This might be it for me," said 37-year-old Brett Butler of the Dodgers. "I don't want to do this. I'm losing \$19,000 a day, and it's money I won't get back. But for all the Catfish Hunters and Andy Messersmiths who did it for me, it's my responsibility to do it for the kids coming up."

The Reds' Rijo agreed. "It made me a lot of money in 1981," he said. "Now it's my turn to do it so somebody else can make the money."

The players, generally derided as "greedy," seemed to be the targets of choice among fan signs and such at the day's games.

For all the strike's impact on division races, the demise of the season had repercussions for teams players not in uniform on Thursday.

For Matt Williams of the San Francisco Giants, whose team did not play Thursday, the season ended on Wednesday, qualifying him for a question mark following an asterisk in the record book.

For during the game against the Cubs in Chicago, Williams hit his 43d home run of the 115-game season, putting him on an exact pace to match Yankee Roger Maris's record 61 homers over 162 games in 1961.

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Major-league baseball parks — closed for the duration.

Owners and Players Agree to Restart Talks (Meanwhile, the Minors)

The Associated Press

NEW YORK — Negotiators for major-league players and owners agreed to start talking again Friday, just hours after the baseball strike began.

A session was called less than 12 hours after the strike began. The players walked out on one of the most exciting seasons in decades after Thursday night's games.

Soon after their offices opened Friday, the National League and the American League issued statements that officially canceled all games — seven in each league, all at night.

Even though the major leagues are on strike, it's still possible to see a Griffey hitting, a Ryan pitching and a Luzinski slugging. They're all in the minors.

And then there's the Michael Jordan Watch. (See Scoreboard)

A look at some of players in the minor leagues, whose seasons finish up the first week of September:

• Reid Ryan, Hudson Valley Renegades, New York-Penn League. Nolan Ryan has quietly popped into town to watch his 22-year-old son pitch in his first season as a pro. Picked in the 17th round last June by his dad's Texas Rangers, the young Ryan does not have the fastball of his father, then again, who did? Even so, the right-hander was 3-3 with a 2.38 ERA after 10 starts, with 41 strikeouts in 59 1-3 innings in Class A.

• Craig Griffey, Jacksonville Suns, Southern League. He's strictly a right-hander and plays slap-and-rod, rather than slug-and-trot. Still, there are times when he chases balls in center field that he looks like his famous brother, Ken Jr. Craig, 23,

was batting .223 in his first year for Seattle's Double-A team. He'd also used his speed to score from first base on a single hit to Birmingham right fielder Michael Jordan.

• Glenn Davis, Omaha Royals, American Association. When he was cut by the New York Mets in spring training, many figured his career was over. At 33, however, he's hung in and has had a productive season for Kansas City's Triple-A club, hitting 19 home runs with 70 RBIs. Whether he'll ever hit 30 homers with 100 RBIs, as he once did for Houston, remains to be seen.

• Leon Durham, St. Paul Saints, Northern League. Hoping for one more chance at age 37, the former Chicago Cubs' first baseman was batting .250, with nine homers in the independent league, whose talent level is somewhere between advanced Class A and Double-A. Until recently, he was hitting against the likes of Oil Can Boyd, who had a 1.89 ERA before retiring this week because of another blood clot in his shoulder.

• Billy Ashley, Albuquerque Dukes, Pacific Coast League. The Los Angeles Dodgers always seem to have some young slugger in the minors, and Ashley is the best of the current crop. The 24-year-old outfielder went into the week hitting .344 with 27 home runs and 83 RBIs, and was looking for another late-season call-up. Because of the strike, he might spend the whole year in Triple-A.

• Ryan Luzinski, Vero Beach Dodgers, Florida State League. The Dodgers think their No. 1 draft pick in 1992 might someday hit like his father, former All-Star Greg. So far, he's batting .252 with nine homers in Class A.

SIDELINES

Italian Grand Prix Is Canceled

PARIS (AP) — World racing authorities on Friday canceled the Italian Grand Prix because of safety concerns, and the Italian government immediately appealed the decision.

The cancellation of the race, set for Monza on Sept. 11, pares the Formula One season calendar to 15 races.

The International Automobile Federation said that it had canceled the race because Italian authorities failed to provide formal, unconditional safety guarantees as asked on July 26. The federation wanted curves in the Monza circuit changed to slow the cars down, which would have required removing 123 trees in a public park.

Cuban Player Seeks Refugee Status

HAMILTON, Ontario (AP) — Richard Matienzo, a center who leads the Cuban team in scoring in the World Championship of Basketball, is seeking refugee status in Canada, the Canadian Press reported.

Matienzo, 25, left the team after a practice Thursday morning in Toronto, sources told CP, although Cuba's coach said he had not seen the player since Wednesday night.

"He has been in contact with an immigration lawyer and right now he's making arrangements with Immigration Canada to turn himself in," Staff Sergeant John Siloats of the Metro Toronto police said.

For the Record

Argentina's World Cup striker Claudio Caniggia will sign with Benfica, the Portuguese soccer champion, on Monday, the Lisbon club announced Friday. (Reuters)

Seville, where temperatures regularly reach 40 degrees centigrade (105 Fahrenheit) in the summer, has bid to stage the world athletics championships in 1999. (Reuters)

The newest NBA expansion team will be known as the Vancouver Grizzlies. The Canadian team, awarded an expansion franchise for the 1995-96 season, had originally chosen Mounties as the team's nickname, but ran into trademark problems. (AP)

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

East Division

Team	W	L	Pct.	GB
New York	43	49	.469	—
Toronto	35	48	.420	13
Boston	34	41	.450	17
Detroit	33	42	.441	10

Central Division

Team	W	L	Pct.	GB
Chicago	44	47	.485	—
Cleveland	44	47	.485	—
Kansas City	41	51	.446	13
Minnesota	32	48	.400	25
Milwaukee	23	41	.361	35

West Division

Team	W	L	Pct.	GB
Texas	42	45	.483	—
Oakland	31	43	.419	11
Seattle	49	43	.529	—
California	37	46	.445	15

NATIONAL LEAGUE

East Division

Team	W	L	Pct.	GB
Montreal	46	46	.500	—
Atlanta	46	46	.500	—
New York	35	48	.420	11
Philadelphia	34	41	.450	17
Florida	31	44	.413	22

Central Division

Team	W	L	Pct.	GB
Cincinnati	42	46	.478	—
Houston	44	49	.478	—
Pittsburgh	32	41	.438	13
St. Louis	31	46	.403	18
Chicago	29	44	.397	22

West Division

Team	W	L	Pct.	GB
Los Angeles	38	56	.406	—
San Francisco	35	48	.421	3
Colorado	31	44	.413	6
San Diego	27	47	.367	12

THURSDAY'S LINE SCORES

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Toronto	49	40	.552	—
New York	43	49	.469	6
Boston	41	41	.500	8
Detroit	41	41	.500	8
Chicago	41	41	.500	8

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